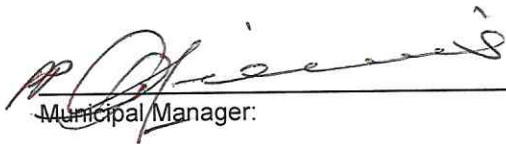


**MIER LOCAL MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS**
for the year ended 30 June 2016

Approval of annual financial statements

I am responsible for the preparation of these annual financial statements, which are set out on pages 8 to 88, in terms of Section 126(1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality.

I certify that the salaries, allowances and benefits of Councillors, loans made to Councillors, if any, and payments made to Councillors for loss of office, if any, as disclosed in Note 27 of these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.



Municipal Manager:

31 August 2016

MIER LOCAL MUNICIPALITY
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for the year ended 30 June 2016

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MIER LOCAL MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2016

REPORT OF THE CHIEF FINANCIAL OFFICER

1. INTRODUCTION

It gives me great pleasure to present the Annual Financial Statements of Mier Local Municipality at 30 June 2016.

These Annual Financial Statements have been prepared in accordance with Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board (ASB) in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No 56 of 2003). The standards and pronouncements that form the GRAP Reporting Framework for the 2012/13 financial period is set out in Directive 5 issued by the ASB on 11 March 2009.

The Statement of Financial Position at 30 June 2016 indicates an increase in Net Assets, an increase in Non-current Liabilities and a decrease in Current Liabilities.

The increase in Net Assets is ascribed primarily to the increase in Accumulated Surplus as a result of the surplus generated on the operating account. The increase in Non-current Liabilities is primarily as a result of the increases in Retirement Benefit Liabilities and Long-service Benefits. The decrease in Current Liabilities is primarily as a result of the decrease in Unspent Conditional Grants which is more than the increase in Payables.

2. KEY FINANCIAL INDICATORS

The following indicators are self-explanatory. The percentages of expenditure categories are well within acceptable norms and indicate good governance of the funds of the municipality.

2.1 Financial Statement Ratios:

INDICATOR	2016	2015
Surplus / (Deficit) before Appropriations	18 893 700	23 729 670
Surplus / (Deficit) at the end of the Year	495 023 030	476 129 330
Expenditure Categories as a percentage of Total Expenses:		
Employee Related Costs	28.00%	28.04%
Remuneration of Councillors	5.10%	6.43%
Depreciation and Amortisation	14.10%	20.85%
Impairment Losses	12.38%	2.09%
Repairs and Maintenance	1.61%	5.80%
Interest Paid	0.10%	0.21%
General Expenses	26.76%	36.31%
Current Ratio:		
Trade Creditors Days	297	237
Debtors from Exchange Transactions Days	144	188

2. KEY FINANCIAL INDICATORS (Continued)

2.2 Performance Indicators:

INDICATOR	2016	2015
Financial Position		
Debtors Management:		
Outstanding Debtors to Revenue	16.79%	14.71%
Outstanding Service Debtors to Revenue	145.97%	107.97%
Liquidity Management:		
Liquidity Ratio	0.14	0.05
Liability Management:		
Capital Cost as percentage of Own Revenue	0.73%	0.71%
Borrowing as percentage of Total Capital Assets	0.10%	0.00%
Safety of Capital:		
Gearing	0.10%	0.00%
Financial Viability:		
Debt Coverage	67.24	42.58
Cost Coverage	0.11	0.04
Financial Performance		
Expenditure Management:		
Creditors to Cash and Investments	318.98%	1005.52%
Capital Expenditure on Infrastructure to Total Capital Expenditure	102.58%	235.18%

A detailed ratio analysis, together with explanations, is included in Appendix "H".

3. OPERATING RESULTS

Details of the operating results per segmental classification of expenditure are included in Appendix "D", whilst operational results are included in Appendices "E (1), E (2) and E (3)".

The services offered by Mier Municipality can generally be classified as Rates and General, Economic and Trading Services and are discussed in more detail below.

The overall operating results for the year ended 30 June 2016 are as follows:

DETAILS	Actual 2015/16 R	Actual 2014/15 R	Percentage Variance %	Budgeted 2015/16 R	Variance actual/ budgeted %
Income:					
Opening surplus / (deficit)	476 129 330	233 091 668	104.27	320 384 162	48.61
Operating income for the year	61 048 546	57 121 700	6.87	42 939 941	42.17
	537 177 877	290 213 367	85.10	363 324 103	47.85
Expenditure:					
Operating expenditure for the year	42 154 847	33 392 030	26.24	36 628 407	15.09
Closing surplus / (deficit)	495 023 030	476 129 330	3.97	326 695 696	51.52
	537 177 877	290 213 367	85.10	363 324 103	47.85

3.1 Rates and General Services:

Rates and General Services are all types of services rendered by the municipality, excluding those listed below. The main income sources are Assessment Rates and Sundry Fees levied.

DETAILS	Actual 2015/16 R	Actual 2014/15 R	Percentage Variance %	Budgeted 2015/16 R	Variance actual/ budgeted %
Income	56 232 001	50 511 760	11.32	38 482 332	46.12
Expenditure	25 319 629	19 277 716	31.34	23 196 879	9.15
Surplus / (Deficit)	30 912 372	31 234 044	(1.03)	15 285 453	102.23
Surplus / (Deficit) as % of total income	54.97%	61.84%		39.72%	

3. OPERATING RESULTS (Continued)

3.2 Waste Management Services:

Waste Management Services are services rendered by the municipality for the collection, disposal and purifying of waste (refuse and sewerage). Income is mainly generated from the levying of fees and tariffs determined by the council.

DETAILS	Actual 2015/16 R	Actual 2014/15 R	Percentage Variance %	Budgeted 2015/16 R	Variance actual/ budgeted %
Income	3 903 583	5 709 087	(31.63)	2 441 973	59.85
Expenditure	10 754 072	6 250 346	72.06	5 445 160	97.50
Surplus / (Deficit)	(6 850 488)	(541 259)	1 165.66	(3 003 187)	128.11
Surplus / (Deficit) as % of total income	(175.49)%	(9.48)%		(122.98)%	

3.3 Water Services:

Water is pumped from local boreholes within the Municipal area and distributed to the consumers by the municipality.

DETAILS	Actual 2015/16 R	Actual 2014/15 R	Percentage Variance %	Budgeted 2015/16 R	Variance actual/ budgeted %
Income	912 962	900 853	1.34	2 015 636	(54.71)
Expenditure	5 061 270	6 952 741	(27.20)	6 293 393	(19.58)
Surplus / (Deficit)	(4 148 308)	(6 051 888)	(31.45)	(4 277 757)	(3.03)
Surplus / (Deficit) as % of total income	(454.38)%	(671.80)%		(212.23)%	

4. FINANCING OF CAPITAL EXPENDITURE

The expenditure on Assets during the year amounted to R14 805 956 (2014/15: R15 030 494). Full details of Assets are disclosed in Notes 8, 9, 10 and Appendices "B, C and E (4)" to the Annual Financial Statements.

The capital expenditure of R14 805 956 was financed as follows:

DETAILS	Actual 2015/16 R	Actual 2014/15 R	Percentage Variance %	Budgeted 2015/16 R	Variance actual/ budgeted %
Grants and Subsidies	10 008 181	5 004 093	100.00	13 392 723	(25.27)
Public Contributions	84 000	-	100.00	-	100.00
Own Funds (Accumulated Surplus)	331 256	-	100.00	-	100.00
	10 423 437	5 004 093	108.30	13 392 723	(22.17)

Source of funding as a percentage of Total Capital Expenditure:

DETAILS	2016	2015
Grants and Subsidies	96.02%	100.00%
Public Contributions	0.81%	-
Own Funds (Accumulated Surplus)	3.18%	-
	100.00%	100.00%

5. RECONCILIATION OF BUDGET TO ACTUAL

5.1 Operating Budget:

DETAILS	2016	2015
<i>Variance per Category:</i>		
Budgeted surplus before appropriations	6 311 534	12 040 538
Revenue variances	18 108 605	25 015 161
Expenditure variances:		
Employee Related Costs	1 346 267	(2 028 601)
Remuneration of Councillors	486 730	(403 099)
Depreciation and Amortisation	1 877 858	(6 961 656)
Impairment Losses	(2 832 343)	1 241 201
Repairs and Maintenance	157 994	(1 936 691)
Interest Paid	9 189	77 117
Contracted Services	240 000	199 000
Grants and Subsidies Paid	1 257 391	-
General Expenses	(3 029 708)	(3 442 406)
Other Losses on Continued Operations	-	21 000
Loss on disposal of Property, Plant and Equipment	(5 039 819)	(91 894)
Actual surplus before appropriations	18 893 700	23 729 670

DETAILS	2016	2015
<i>Variance per Service Segment:</i>		
Budgeted surplus before appropriations	6 311 534	17 659 163
Executive and Council	(269 262)	(1 593 183)
Budget and Treasury Office	13 994 766	15 583 779
Municipal Manager	650 089	(2 683 804)
Corporate Services	660 144	124 076
Community and Social Services	1 241 271	3 492 500
Waste Management	166 831	809 207
Waste Water Management	(3 991 122)	(2 687 113)
Water	129 449	(6 974 956)
Actual surplus before appropriations	18 893 700	23 729 670

Details of the operating results per segmental classification of expenditure are included in Appendix "D", whilst operational results are included in Appendices "E (1), E (2) and E (3)".

5.2 Capital Budget:

DETAILS	Actual 2015/16 R	Actual 2014/15 R	Variance actual 2015/16 / 2014/15 R	Budgeted 2015/16 R	Variance actual/ budgeted R
Finance and Administration	302 939	210 032	92 907	-	302 939
Community and Social Services	1 304 835	-	1 304 835	-	1 304 835
Waste water management	87 989	105 000	(17 011)	899 000	(811 011)
Waste management	8 699 357	8 723 911	(24 554)	12 493 723	(3 794 366)
Water	28 317	44 217	(15 900)	-	28 317
	10 423 437	9 083 159	1 340 278	13 392 723	(2 969 286)

Details of the results per segmental classification of capital expenditure are included in Appendix "C" and in Appendix "E (4)".

6. ACCUMULATED SURPLUS

The balance of the Accumulated Surplus as at 30 June 2016 amounted to R495 023 030 (30 June 2015: R476 129 330) and is made up as follows:

Accumulated Surplus	495 023 030
	<u>495 023 030</u>

The municipality, in conjunction with its own capital requirements and external funds (external loans and grants) is able to finance its annual infrastructure capital programme.

Refer to Note 22 and the Statement of Change in Net Assets for more detail.

7. LONG-TERM LIABILITIES

The outstanding amount of Long-term Liabilities as at 30 June 2016 was R503 251 (30 June 2015: R0).

Refer to Note 19 and Appendix "A" for more detail.

8. EMPLOYEE BENEFIT LIABILITIES

Employee Benefit Liabilities amounted R274 236 as at 30 June 2016 (30 June 2015: R210 396) and is made up as follows:

Long Service Awards Liability	274 236
	<u>274 236</u>

The Long-term Service Liability is an estimate of the long-service based on historical staff turnover. No other long-term service benefits are provided to employees. This liability is unfunded.

Refer to Note 20 for more detail.

9. NON-CURRENT PROVISIONS

Non-current Provisions amounted R12 198 033 as at 30 June 2016 (30 June 2015: R11 612 750) and is made up as follows:

Provision for Rehabilitation of Land-fill Sites	12 198 033
	<u>12 198 033</u>

These provisions are made in order to enable the municipality to be in a position to fulfill its known legal obligations when they become due and payable.

Refer to Note 21 for more detail.

10. CURRENT LIABILITIES

Current Liabilities amounted R24 854 392 as at 30 June 2016 (30 June 2015: R19 652 828) and is made up as follows:

Consumer Deposits	Note 12	123 600
Provisions	Note 13	6 364 979
Payables from Exchange Transactions	Note 14	10 722 285
Payables from Non-exchange Transactions	Note 15	523 851
Unspent Conditional Grants and Receipts	Note 16	6 563 252
VAT Payable	Note 17	318 476
Current Portion of Long-term Liabilities	Note 19	237 949
		<u>24 854 392</u>

Current Liabilities are those liabilities of the municipality due and payable in the short-term (less than 12 months). There is no known reason as to why the municipality will not be able to meet its obligations.

Refer to the indicated Notes for more detail.

11. PROPERTY, PLANT AND EQUIPMENT

The net value of Property, Plant and Equipment was R147 329 870 as at 30 June 2016 (30 June 2015: R143 566 694).

Refer to Note 8 and Appendices "B, C and E (4)" for more detail.

12. INTANGIBLE ASSETS

The net value of Intangible Assets were R1 932 670 as at 30 June 2016 (30 June 2015: R1 987 957).

Intangible Assets are assets which cannot physically be identified and verified and are in respect of computer software obtained by the municipality in order to be able to fulfil its duties as far as service delivery is concerned.

Refer to Note 9 and Appendix "B" for more detail.

13. INVESTMENT PROPERTY

The net value of Investment Properties were R371 696 634 as at 30 June 2016 (30 June 2015: R351 994 998).

Investment Property is property held to earn rentals or for capital appreciation or both, rather than for use in the production or supply of goods or services or for administrative purposes; or sale in the ordinary course of operations.

Refer to Note 10 and Appendix "B" for more detail.

14. HERITAGE ASSETS

The net value of Heritage Assets were R200 475 as at 30 June 2016 (30 June 2015: R200 475).

Heritage Assets are assets that have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations.

Refer to Note 11 and Appendix "B" for more detail.

15. CURRENT ASSETS

Current Assets amounted R11 693 293 as at 30 June 2016 (30 June 2015: R9 855 181) and is made up as follows:

Inventories	Note 2	453 661
Receivables from Exchange Transactions	Note 3	1 688 092
Receivables from Non-exchange Transactions	Note 4	6 164 458
Cash and Cash Equivalents	Note 6	3 361 446
Operating Lease Assets	Note 7	25 636
		<u>11 693 293</u>

The increase in the amount for Current Assets is mainly due to the increased amount held in Bank and Cash Equivalents.


Refer to the indicated Notes for more detail.

16. EVENTS AFTER THE REPORTING DATE

Full details of all known events, if any, after the reporting date are disclosed in Note 54.

17. EXPRESSION OF APPRECIATION

We are grateful to the Mayor, Councillors, the Municipal Manager and Heads of Departments for the support extended during the financial year. A special word of thanks to all staff in the Finance Department, for without their assistance these Annual Financial Statements would not have been possible.



CHIEF FINANCIAL OFFICER
31 August 2016

MIER LOCAL MUNICIPALITY
STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2016

Budget			Actual	
2016 Original	2016 Adjusted		2016	2015
R	R	Note	R	Restated R
ASSETS				
8 792 439	8 792 439	Current Assets	11 693 293	9 855 181
733 600	733 600	Inventories	453 661	433 061
1 582 606	1 582 606	Receivables from Exchange Transactions	1 688 092	2 153 488
3 647 041	3 647 041	Receivables from Non-exchange Transactions	6 164 458	3 346 658
-	-	VAT Receivable	-	2 901 798
2 829 192	2 829 192	Cash and Cash Equivalents	3 361 446	1 020 176
-	-	Operating Lease Receivables	25 636	-
335 191 667	335 191 667	Non-Current Assets	521 159 649	497 750 124
318 322 060	318 322 060	Property, Plant and Equipment	147 329 870	143 566 694
382 635	382 635	Intangible Assets	1 932 670	1 987 957
16 486 971	16 486 971	Investment Property	371 696 634	351 994 998
-	-	Heritage Assets	200 475	200 475
343 984 106	343 984 106	Total Assets	532 852 942	507 605 305
LIABILITIES				
5 494 664	5 494 664	Current Liabilities	24 854 392	19 652 828
-	-	Consumer Deposits	123 600	123 500
-	-	Provisions	6 364 979	6 189 394
5 494 664	5 494 664	Payables from Exchange Transactions	10 722 285	10 258 073
-	-	Payables from Non-exchange Transactions	523 851	714 080
-	-	Unspent Conditional Grants and Receipts	6 563 252	1 404 290
-	-	VAT Payable	318 476	-
-	-	Operating Lease Liabilities	-	28 973
-	-	Current Portion of Long-term Liabilities	237 949	934 519
18 105 280	18 105 280	Non-Current Liabilities	12 975 520	11 823 146
899 216	899 216	Long-term Liabilities	503 251	-
297 349	297 349	Employee Benefit Liabilities	274 236	210 396
16 908 715	16 908 715	Non-current Provisions	12 198 033	11 612 750
23 599 944	23 599 944	Total Liabilities	37 829 912	31 475 974
320 384 162	320 384 162	Total Assets and Liabilities	495 023 030	476 129 330
320 384 162	320 384 162	NET ASSETS	495 023 030	476 129 330
320 384 162	320 384 162	Accumulated Surplus / (Deficit)	495 023 030	476 129 330
320 384 162	320 384 162	Total Net Assets	495 023 030	476 129 330

MIER LOCAL MUNICIPALITY
STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2016

2015 Final	Budget 2016 Original	2016 Adjusted			Actual 2016	2015 Restated
R	R	R		Note	R	R
REVENUE						
Revenue from Non-exchange Transactions						
2 386 314	1 397 272	1 397 272	Property Rates	23	1 390 161	1 490 192
37 954 100	25 848 000	33 213 335	Government Grants and Subsidies Received	24	28 846 399	32 060 974
-	-	-	Public Contributions and Donations	25	105 000	1 023 376
Revenue from Exchange Transactions						
5 420 181	4 009 811	4 405 537	Service Charges	26	2 896 179	2 680 118
1 072 591	1 438 406	1 438 406	Rental of Facilities and Equipment	27	1 093 082	923 708
400 000	600 000	600 000	Interest Earned - External Investments	28	284 020	463 329
306 467	1 790 391	1 885 391	Other Revenue	29	1 792 215	2 605 480
-	-	-	Other Gains on Continued Operations	37	24 641 491	15 874 523
-	-	-	Gains on Disposal of Property, Plant and Equipment	38	-	-
47 539 653	35 083 880	42 939 941	Total Revenue		61 048 546	57 121 700
EXPENDITURE						
10 374 889	11 204 476	13 147 939	Employee Related Costs	30	11 801 672	9 364 601
1 893 935	2 219 949	2 635 046	Remuneration of Councillors	31	2 148 316	2 147 099
399 451	7 823 757	7 823 757	Depreciation and Amortisation	32	5 945 899	6 961 656
3 744 555	2 385 898	2 385 898	Impairment Losses	33	5 218 241	696 799
730 965	989 335	837 593	Repairs and Maintenance	34	679 599	1 936 691
75 000	50 670	50 670	Finance Costs	35	41 481	68 883
227 843	253 000	240 000	Contracted Services	-	-	-
1 581 428	1 257 391	1 257 391	Grants and Subsidies Paid	-	-	-
10 852 423	7 058 754	8 250 113	General Expenses	36	11 279 821	12 124 406
-	-	-	Loss on write off of Property, Plant and Equipment	38	5 039 819	91 894
29 880 490	33 243 230	36 628 407	Total Expenditure		42 154 847	33 392 030
17 659 163	1 840 650	6 311 534	SURPLUS / (DEFICIT) FOR THE YEAR		18 893 700	23 729 670
Refer to Budget Statement for explanation of budget variances						

MIER LOCAL MUNICIPALITY
STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2016

Description	Accumulated Surplus / (Deficit) Account	Total for	
	Accumulated Surplus / (Deficit)	Accumulated Surplus/(Deficit) Account	Total
	R	R	R
2015			
Balance at 30 June 2014	233 091 668	233 091 668	233 091 668
Correction of Error (Note 39)	219 307 993	219 307 993	219 307 993
Restated Balance	452 399 661	452 399 661	452 399 661
Surplus / (Deficit) for the year	23 729 670	23 729 670	23 729 670
Balance at 30 June 2015	476 129 330	476 129 330	476 129 330
2016			
Restated Balance	476 129 330	476 129 330	476 129 330
Surplus / (Deficit) for the year	18 893 700	18 893 700	18 893 700
Balance at 30 June 2016	495 023 030	495 023 030	495 023 030
		-	-

Details on the movement of the Funds and Reserves are set out in Note 22.

MIER LOCAL MUNICIPALITY
CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2016

2015 Adjusted	Budget		2016 Adjusted		Note	Actual	
	2016 Original					2016	2015
R	R	R				R	R
CASH FLOWS FROM OPERATING ACTIVITIES							
Receipts							
4 543 531	602 789	602 789	Property Rates	23		104 967	500 902
37 954 100	25 848 000	33 213 335	Government Grant and Subsidies	24		34 005 361	24 231 711
-	889 974	889 974	Service Charges	26		(550 895)	934 551
400 000	600 000	600 000	Interest Received	28		284 020	463 329
-	3 228 797	3 323 803	Other Receipts	29		3 248 454	5 413 695
Payments							
(24 081 204)	-	-	Employee Related Costs	30		(11 244 798)	(5 925 398)
-	-	-	Remuneration of Councillors	31		(2 183 241)	(2 147 099)
(75 000)	(50 670)	(50 670)	Interest Paid	35		(41 481)	(68 883)
-	(21 174 566)	(24 229 420)	Suppliers Paid			(11 550 384)	(12 921 524)
(215 400)	(1 257 391)	-	Other Payments	36		708 883	(2 414 851)
18 526 026	8 686 933	14 349 810	NET CASH FLOWS FROM OPERATING ACTIVITIES			12 780 886	8 066 433
CASH FLOWS FROM INVESTING ACTIVITIES							
(15 812 107)	(6 780 000)	(13 392 722)	Purchase of Property, Plant and Equipment	8		(10 339 731)	(14 287 063)
-	-	-	Purchase of Intangible Assets	9		-	(178 470)
-	-	-	Proceeds on Disposal of Property, Plant and Equipment			93 434	
(15 812 107)	(6 780 000)	(13 392 722)	NET CASH FLOWS FROM INVESTING ACTIVITIES			(10 246 297)	(14 465 533)
CASH FLOWS FROM FINANCING ACTIVITIES							
(500 000)	(275 474)	(275 474)	Repayment of Borrowings	19		(193 319)	(101 243)
(500 000)	(275 474)	(275 474)	NET CASH FLOWS FROM FINANCING ACTIVITIES			(193 319)	(101 243)
2 213 919	1 631 459	681 614	NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS	6		2 341 271	(6 500 343)
-	0.00	0.00	Cash and Cash Equivalents at Beginning of Period			1 020 176	7 520 519
2 213 919	3 845 379	2 895 534	Cash and Cash Equivalents at End of Period			3 361 446	1 020 176

MIER LOCAL MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2016

30 June 2016

Description	Original Total Budget	Budget Adjustments	Final Adjustments Budget	Final Budget	Actual Outcome	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
	R	R	R	R	R	R	R	R
FINANCIAL POSITION								
Current Assets								
Inventories	733 600	-	733 600	733 600	453 661	(279 939)	61.84	61.84
Receivables from Exchange Transactions	1 582 606	-	1 582 606	1 582 606	1 688 092	105 486	106.67	106.67
Receivables from Non-exchange Transactions	3 647 041	-	3 647 041	3 647 041	6 164 458	2 517 417	169.03	169.03
VAT Receivable	-	-	-	-	-	-	0.00	0.00
Cash and Cash Equivalents	2 829 192	-	2 829 192	2 829 192	3 361 446	532 254	118.81	118.81
Operating Lease Receivables	-	-	-	-	25 636	25 636	0.00	0.00
Non-Current Assets								
Property, Plant and Equipment	318 322 060	-	318 322 060	318 322 060	147 329 870	(170 992 190)	46.28	46.28
Intangible Assets	382 635	-	382 635	382 635	1 932 670	1 550 035	505.09	505.09
Investment Property	16 486 971	-	16 486 971	16 486 971	371 696 634	355 209 662	2 254.49	2 254.49
Heritage Assets	-	-	-	-	200 475	200 475	0.00	0.00
Total Assets	343 984 106	-	343 984 106	343 984 106	532 852 942	188 868 835	154.91	154.91
Current Liabilities								
Consumer Deposits	-	-	-	-	123 600	123 600	0.00	0.00
Provisions	-	-	-	-	6 364 979	6 364 979	0.00	0.00
Payables from Exchange Transactions	5 494 664	-	5 494 664	5 494 664	10 722 285	5 227 621	195.14	195.14
Payables from Non-exchange Transactions	-	-	-	-	523 851	523 851	0.00	0.00
Unspent Conditional Grants and Receipts	-	-	-	-	6 563 252	6 563 252	0.00	0.00
VAT Payable	-	-	-	-	318 476	318 476	0.00	0.00
Current Portion of Long-term Liabilities	-	-	-	-	237 949	237 949	0.00	0.00
Non-Current Liabilities								
Long-term Liabilities	899 216	-	899 216	899 216	503 251	(395 965)	55.97	55.97
Employee Benefit Liabilities	297 349	-	297 349	297 349	274 236	(23 113)	92.23	92.23
Non-current Provisions	16 908 715	-	16 908 715	16 908 715	12 198 033	(4 710 682)	72.14	72.14
Total Liabilities	23 599 944	-	23 599 944	23 599 944	37 829 912	14 229 968	160.30	160.30
Total Assets and Liabilities	320 384 162	-	320 384 162	320 384 162	495 023 030	174 638 868	154.51	154.51
Net Assets (Equity)								
Accumulated Surplus / (Deficit)	320 384 162	-	320 384 162	320 384 162	495 023 030	174 638 868	154.51	154.51
Total Net Assets	320 384 162	-	320 384 162	320 384 162	495 023 030	174 638 868	154.51	154.51

Financial Position: Explanation of Variances between Approved Budget and Actual

Reasons for Variances greater than 10% between Approved Budget and Actual Amount on the various items disclosed in the Statement of Financial Position are explained below:

Inventories:

Due to rectification there were plots on the municipalities name and there classified as inventory

Receivables from Non-exchange Transactions:

Property identified in the budget were incorrectly calculated

Cash and Cash Equivalents:

Additional fund received that was not gazetted and is unspent as at 30 June 2016

Property, Plant and Equipment:

The reason for the decrease was the that a reclassification of assets was done

Intangible Assets:

Donations from GTAC (Assets TGIS)

Investment Property:

Fair Value adjustment more then expected

Provisions:

It was not budgeted for provisions

Payables from Exchange Transactions:

Due to an increase payables at year end

Payables from Non-exchange Transactions:

Not sufficient budgeted

Unspent Conditional Grants and Receipts:

The municipality received extra funding in March which caused for under spending of funds

Operating Lease Liabilities:

Not budgeted for

Current Portion of Long-term Liabilities:

Due to restructuring of loan during the financial year.

Long-term Liabilities:

Due to restructuring of loan during the financial year.

Non-current Provisions:

Only budget for Non-Current portion

Description	Original Total Budget	Budget Adjustments	Final Adjustments Budget	Final Budget	Actual Outcome	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
	R	R	R	R	R	R	R	R
FINANCIAL PERFORMANCE								
Revenue from Non-exchange Transactions								
Property Rates	1 397 272	-	1 397 272	1 397 272	1 390 161	(7 111)	99.49	99.49
Government Grants and Subsidies Received	19 068 000	752 613	19 820 613	19 820 613	19 884 556	63 943	100.32	104.28
Public Contributions and Donations	-	-	-	-	105 000	105 000	0.00	0.00
Revenue from Exchange Transactions								
Service Charges	4 009 811	395 726	4 405 537	4 405 537	2 896 179	(1 509 358)	65.74	72.23
Rental of Facilities and Equipment	1 438 406	-	1 438 406	1 438 406	1 093 082	(345 324)	75.99	75.99
Interest Earned - External Investments	600 000	-	600 000	600 000	284 020	(315 980)	47.34	47.34
Other Income	1 790 391	95 000	1 885 391	1 885 391	1 792 215	(93 176)	95.06	100.10
Other Gains on Continued Operations	-	-	-	-	24 641 491	24 641 491	0.00	0.00
Gains on Disposal of Property, Plant and Equipment	-	-	-	-	-	-	0.00	0.00
Total Revenue	28 303 880	1 243 339	29 547 219	29 547 219	52 086 703	22 539 484	176.28	184.03
Expenditure								
Employee Related Costs	11 204 476	1 943 463	13 147 939	13 147 939	11 801 672	(1 346 267)	89.76	105.33
Remuneration of Councillors	2 219 949	415 097	2 635 046	2 635 046	2 148 316	(486 730)	81.53	96.77
Depreciation and Amortisation	7 823 757	-	7 823 757	7 823 757	5 945 899	(1 877 858)	76.00	76.00
Impairment Losses	2 385 898	-	2 385 898	2 385 898	5 218 241	2 832 343	218.71	218.71
Repairs and Maintenance	989 335	(151 742)	837 593	837 593	679 599	(157 994)	81.14	68.69
Finance Costs	50 670	-	50 670	50 670	41 481	(9 189)	81.87	81.87
Contracted Services	253 000	(13 000)	240 000	240 000	-	(240 000)	0.00	0.00
Grants and Subsidies Paid	1 257 391	-	1 257 391	1 257 391	-	(1 257 391)	0.00	0.00
General Expenses	7 058 754	1 191 359	8 250 113	8 250 113	11 279 821	3 029 708	136.72	159.80
Loss on Disposal of Property, Plant and Equipment	-	-	-	-	5 039 819	5 039 819	0.00	0.00
Total Expenditure	33 243 230	3 385 177	36 628 407	36 628 407	42 154 847	5 526 440	115.09	126.81
Surplus/(Deficit)	(4 939 350)	(2 141 838)	(7 081 188)	(7 081 188)	9 931 856	17 013 045	0.00	0.00
Transfers Recognised - Capital	6 780 000	6 612 722	13 392 722	13 392 722	8 961 843	(4 430 879)	66.92	132.18
Surplus/(Deficit for the Year)	1 840 650	4 470 884	6 311 534	6 311 534	18 893 700	12 582 166	299.35	1 026.47
Financial Performance: Explanation of Variances between Approved Budget and Actual								
Reasons for Variances greater than 10% between Approved Budget and Actual Amount on the various items disclosed in the Statement of Financial Performance are explained below:								
Government Grants and Subsidies Received: The municipality budgeted for housing grant in the previous year that was not received								
Service Charges: Budget was based on the increased of cpix levies overbudgeted								
Rental of Facilities and Equipment: Budget was based on incorrect assumptions								
Interest Earned - External Investments: Grants was spend fast during the year, there not much interest were calculated								
Other Income: The munciaplity not allowed to budget for VAT own income, Pulau Profit Share and Xaus Lodge revenue								
Other Gains on Continued Operations: Change in Fair Value of Investment Property								
Gains on Disposal of Property, Plant and Equipment: Incorrectly budgeted for								
Employee Related Costs: Temporaly workers permanently appointed in post not budget for, management received increased for previous years.								
Remuneration of Councillors: Upperlimits paid to councillors for previous two years								
Depreciation and Amortisation: Rectification of assets								
Impairment Losses: Increase in the balance an due to debtors written off								
Repairs and Maintenance: Incorrectly budgeted for repairs and maintenance for expenditure occcured, reclassified as assets								
Loss on Disposal of Property, Plant and Equipment: It was not budgeted for Loss on Disposal of Property, Plant and Equipment. Registrations of new only owners								
Transfers Recognised - Capital: Additional MIG fuds were received. Projects not fully spent at year end								

30 June 2016

Description	Original Total Budget	Budget Adjustments	Final Adjustments Budget	Final Budget	Actual Outcome	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
	R	R	R	R	R	R	R	R
CAPITAL EXPENDITURE PER FUNCTION								
Finance and Administration	-	-	-	-	302 939	302 939	0.00	0.00
Community and Social Services	-	-	-	-	1 304 835	1 304 835	0.00	0.00
Waste water management	4 125 915	(3 226 915)	899 000	899 000	87 989	(811 011)	9.79	2.13
Waste management	2 654 085	9 839 637	12 493 723	12 493 723	8 699 357	(3 794 366)	69.63	327.77
Water	-	-	-	-	28 317		0.00	0.00
Total Capital Expenditure	6 780 000	6 612 723	13 392 723	13 392 723	10 423 437	(2 969 286)	77.83	153.74
Capital Expenditure per Function: Explanation of Variances between Approved Budget and Actual								
Reasons for Variances greater than 10% between Approved Budget and Actual Amount on the various items for Capital Expenditure per Function are explained below:								
Finance and Administration: Did not budget for acquisition of moveable assets only for MIG funded projects								
Community and Social Services Incorrectly budgeted for Capital expenditure under operational expenditure								
Waste water management: The municipality was waiting environmental impact assessments studies results and therefore was not able to implement the projects fully(Oxidation ponds)								
Waste management: MIG Projects budgeted for 2014/15 fully spent only balance remain on Akham Phase 2.								
Water: The actual expenditure was for expenditure that was incorrectly classified under Repairs and Maintenance								

30 June 2016

Description	Original Total Budget	Budget Adjustments	Final Adjustments Budget	Final Budget	Actual Outcome	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
	R	R	R	R	R	R	R	R
CASH FLOW								
Cash Flows from/(used in) Operating Activities								
Property Rates	602 789	-	602 789	602 789	104 967	(497 822)	17.41	17.41
Grants	25 848 000	7 365 335	33 213 335	33 213 335	34 005 361	792 026	102.38	131.56
Service Charges	889 974	-	889 974	889 974	(550 895)	(1 440 869)	0.00	0.00
Interest Received	600 000	-	600 000	600 000	284 020	(315 980)	47.34	47.34
Other Receipts	3 228 797	95 006	3 323 803	3 323 803	3 248 454	(75 349)	97.73	100.61
Employee Related Costs	-	-	-	-	(11 244 798)	(11 244 798)	0.00	0.00
Remuneration of Councillors	-	-	-	-	(2 183 241)	(2 183 241)	0.00	0.00
Interest Paid	(50 670)	-	(50 670)	(50 670)	(41 481)	9 189	0.00	0.00
Suppliers Paid	(21 174 566)	(3 054 854)	(24 229 420)	(24 229 420)	(11 550 384)	12 679 036	0.00	0.00
Other Payments	(1 257 391)	1 257 391	-	-	708 883	708 883	0.00	0.00
Cash Flows from/(used in) Investing Activities								
Purchase of Property, Plant and Equipment	(6 780 000)	(6 612 722)	(13 392 722)	(13 392 722)	(10 339 731)	3 052 991	0.00	0.00
Proceeds on Disposal of Property, Plant and Equipment	-	-	-	-	93 434	93 434	0.00	0.00
Decrease / (Increase) in Long-term Receivables	-	-	-	-	-	-	0.00	0.00
Cash Flows from/(used in) Financing Activities								
Loans repaid	(275 474)	-	(275 474)	(275 474)	(193 319)	82 155	0.00	0.00
Cash and Cash Equivalents at End of the Year	1 631 459	(949 845)	681 614	681 614	2 341 271	1 659 657	343.49	143.51

Cash Flow: Explanation of Variances between Approved Budget and Actual

Reasons for Variances greater than 10% between Approved Budget and Actual Amount on the various items disclosed in the Cash Flow Statement are explained below:

Property Rates

| Impairment calculation writte offs

Grants

| The municipality budgeted for housing grant that was not received, additional funding from Provincial Government

Service Charges

| Deficit due to written off of debtors

Interest Received

| Grants was spend fast during the year, there not much interest were calculated

Other Receipts

| Game submitted financial statements as well as Xhuas Lodge dividend

Employee Related Costs

| Included in budget for Suppliers Paid.

Remuneration of Councillors

| Included in budget for Suppliers Paid.

Interest Paid

| Re - structuring of laon

Suppliers Paid

| Budget not aligned to GRAP -other streams of expenditure included in budget for Suppliers Paid.

Other Payments

| Budget not aligned to GRAP - included in budget for Suppliers Paid.

Purchase of Property, Plant and Equipment:

| It was budgeted for Purchase of Property, Plant and Equipment, but due to projects that did'nt start during the 2014/15 financial year (EIA outstanding for oxidation ponds)

Proceeds on Disposal of Property, Plant and Equipment

| Obsolete Stock sold Public Auction

Loans repaid:

| Restructuring for quaterly payments signed with DBSA last paid in July 2016

Cash and Cash Equivalents at End of the Year:

| Unspent conditional grants included

MIER LOCAL MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

1. BASIS OF PRESENTATION

The Annual Financial Statements have been prepared on an Accrual Basis of accounting and are in accordance with the historical cost convention, except where indicated otherwise.

The Annual Financial Statements have been prepared in accordance with the effective Standards of Generally Recognised Accounting Practices (GRAP), as approved by the Minister of Finance, including any interpretations, guidelines and directives issued by the Accounting Standards Board and the Municipal Finance Management Act, 2003 (Act No. 56 of 2003).

1.1 Changes in Accounting Policy and Comparability

Accounting Policies have been consistently applied, except where otherwise indicated below.

For the years ended 30 June 2015 and 30 June 2016 the municipality has adopted the accounting framework as set out in paragraph 1 above. The details of any resulting changes in Accounting Policy and comparative restatements are set out below and in the relevant Notes to the Annual Financial Statements.

The municipality changes an Accounting Policy only if the change:

- (a) Is required by a Standard of GRAP; or
- (b) Results in the Annual Financial Statements providing reliable and more relevant information about the effects of transactions, other events or conditions on the municipality's financial position, financial performance or cash flow.

1.2 Critical Judgements, Estimations and Assumptions

In the application of the municipality's Accounting Policies, which are described below, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

These estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the critical judgements and estimations that management have made in the process of applying the municipality's Accounting Policies and that have the most significant effect on the amounts recognised in Annual Financial Statements:

1.2.1 Revenue Recognition

Accounting Policy 11.2 on *Revenue from Exchange Transactions* and Accounting Policy 11.3 on *Revenue from Non-exchange Transactions* describes the conditions under which revenue will be recorded by the management of the municipality.

In making their judgement, the management considered the detailed criteria for the recognition of revenue as set out in GRAP 9 (*Revenue from Exchange Transactions*) and GRAP 23 (*Revenue from Non-exchange Transactions*). As far as Revenue from Non-exchange Transactions is concerned (see Basis of Preparation above), and, in particular, whether the municipality, when goods are sold, had transferred to the buyer the significant risks and rewards of ownership of the goods and when services is rendered, whether the service has been rendered. Also of importance is the estimation process involved in initially measuring revenue at the fair value thereof. Management of the municipality is satisfied that recognition of the revenue in the current year is appropriate.

1.2.2 Financial Assets and Liabilities

The classification of Financial Assets and Liabilities, into categories, is based on judgement by management. Accounting Policy 8.1 on *Financial Assets Classification* and Accounting Policy 8.2 on *Financial Liabilities Classification* describe the factors and criteria considered by the management of the municipality in the classification of Financial Assets and Liabilities.

In making the above-mentioned judgement, management considered the definition and recognition criteria for the classification of Financial Instruments as set out in GRAP 104 (*Financial Instruments*).

MIER LOCAL MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

1. BASIS OF PRESENTATION (Continued)

1.2.3 Impairment of Financial Assets

Accounting Policy 8.4 on *Impairment of Financial Assets* describes the process followed to determine the value at which Financial Assets should be impaired. In making the estimation of the impairment, the management of the municipality considered the detailed criteria of impairment of Financial Assets as set out in GRAP 104 (*Financial Instruments*) and used its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of the reporting period. The management of the municipality is satisfied that impairment of Financial Assets recorded during the year is appropriate.

- Impairment of Trade Receivables:

The calculation in respect of the impairment of Debtors is based on an assessment of the extent to which Debtors have defaulted on payments already due, and an assessment of their ability to make payments based on their creditworthiness. This is performed per service-identifiable categories across all classes of debtors.

The total increase in estimation of the impairment of Receivables from Exchange Transactions and that of Receivables from Non-exchange Transactions are disclosed in Notes 3 and 4 to the Annual Financial Statements.

1.2.4 Useful lives of Property, Plant and Equipment, Intangible Assets and Investment Property

As described in Accounting Policies 3.3, 4.2 and 5.2, the municipality depreciates its Property, Plant & Equipment and Investment Property, and amortises its Intangible Assets, over the estimated useful lives of the assets, taking into account the residual values of the assets at the end of their useful lives, which is determined when the assets are available for use.

The useful lives of assets are based on management's estimation. Management considered the impact of technology, availability of capital funding, service requirements and required return on assets in order to determine the optimum useful life expectation, where appropriate.

The estimation of residual values of assets is based on management's judgement as to whether the assets will be sold or used to the end of their useful lives, and in what condition they will be at that time.

The municipality has opted to early adopt the changes to GRAP 17: Property, Plant and Equipment as evident from Exposure Draft 126. Therefore, the useful lives and residual values of items of Property, Plant and Equipment, Intangible Assets and Investment Property shall only be amended if there has been any indicators that require such change to be made.

1.2.5 Impairment: Write-down of Property, Plant & Equipment, Intangible Assets, Investment Property, Heritage Assets and Inventories

Accounting Policy 7 on *Impairment of Assets*, Accounting Policy 4.2 on *Intangible Assets – Subsequent Measurement, Amortisation and Impairment* and Accounting Policy 9.2 on *Inventory – Subsequent Measurement* describe the conditions under which non-financial assets are tested for potential impairment losses by the management of the municipality. Significant estimates and judgements are made relating to impairment testing of Property, Plant and Equipment, impairment testing of Intangible Assets and write-down of Inventories to the lowest of Cost and Net Realisable Value.

In making the above-mentioned estimates and judgement, management considered the subsequent measurement criteria and indicators of potential impairment losses as set out in GRAP 21 (Impairment of Non-cash Generating Assets) and GRAP 26 (Impairment of Cash Generating Assets). In particular, the calculation of the recoverable service amount for PPE and Intangible Assets and the Net Realisable Value for Inventories involves significant judgment by management.

Estimated impairments during the year to Property, Plant and Equipment, Intangible Assets, Investment Property, Heritage Assets and Inventory are disclosed in Notes 2, 8, 9, 10 and 11 to the Annual Financial Statements.

1.2.6 Water Inventory

The estimation of the Water Inventory in reservoirs is based on the measurement of water via electronic level sensors, which

1.2.7 Defined Benefit Plan Liabilities

As described in Accounting Policy 13.2, Employee Benefits – Post-employment Benefits, the municipality obtains actuarial valuations of its Defined Benefit Plan Liabilities. The defined benefit obligations of the municipality that were identified are Post-retirement Health Benefit Obligations and Long-service Awards. The estimated liabilities are recorded in accordance with the requirements of GRAP 25. Details of the liabilities and the key assumptions made by the actuaries in estimating the liabilities are provided in the relevant Notes to the Annual Financial Statements.

1.2.8 Provisions and Contingent Liabilities

Management judgement is required when recognising and measuring Provisions and when measuring Contingent Liabilities. Provisions are discounted where the effect of discounting is material using actuarial valuations.

MIER LOCAL MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

1. BASIS OF PRESENTATION (Continued)

1.2.9 Budget Information

Deviations between budget and actual amounts are regarded as material differences when a 10% deviation exists. All material differences are explained in the relevant Notes to the Annual Financial Statements.

1.3 Presentation Currency

The Annual Financial Statements are presented in South African Rand, rounded off to the nearest Rand which is the municipality's functional currency.

1.4 Going Concern Assumption

The Annual Financial Statements have been prepared on a *Going Concern Basis*.

1.5 Offsetting

Assets, Liabilities, Revenues and Expenses have not been offset except when offsetting is required or permitted by a Standard of GRAP.

1.6 Standards, Amendments to Standards and Interpretations issued but not yet Effective

The following GRAP Standards have been issued but are not yet effective and have not been early adopted by the municipality:

- GRAP 18 Segment Reporting - issued March 2005
- GRAP 20 Related Party Disclosures (Revised)
- GRAP 32 Service Concession Arrangement Grantor
- GRAP 105 Transfers between Entities under common control - issued November 2010
- GRAP 106 Transfers between Entities not under common control - issued November 2010
- GRAP 107 Mergers - issued November 2010
- GRAP 108 Statutory Receivables

The Minister of Finance announced that the application of GRAP 25 will be effective for the period starting after 1 April 2013. All other standards as listed above will only be effective when a date is announced by the Minister of Finance. This date is not currently available.

The ASB Directive 5, paragraph 29, sets out the principles for the application of the GRAP 3 guidelines in the determination of the GRAP Reporting Framework hierarchy as set out in the standard of GRAP 3 on *Accounting Policies, Changes in Accounting Estimates and Errors*.

Where a standard of GRAP is approved as effective, it replaces the equivalent statement of International Public Sector Accounting Standards Board, International Financial Reporting Standards or Generally Accepted Accounting Principles. Where a standard of GRAP has been issued but is not yet in effect, the municipality may select to apply the principles established in that standard in developing an appropriate Accounting Policy dealing with a particular section or event before applying paragraph 12 of the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors.

The municipality applied the principles established in the following Standards of GRAP that have been issued but are not yet effective, in developing appropriate Accounting Policies dealing with the following transactions, but have not early adopted these Standards:

- GRAP 20 Related Party Disclosures (Revised)

Management has considered all of the above-mentioned GRAP Standards issued but not yet effective and anticipates that the adoption of these standards will not have a significant impact on the financial position, financial performance or cash flows of the municipality.

MIER LOCAL MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

2. PROPERTY, PLANT AND EQUIPMENT

2.1 Initial Recognition

Property, Plant and Equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one year.

The cost of an item of Property, Plant and Equipment is recognised as an asset if, and only if, it is probable that future economic benefits or service potential associated with the item will flow to the municipality, and if the cost or fair value of the item can be measured reliably.

Property, Plant and Equipment are initially recognised at cost on its acquisition date or in the case of assets acquired by grants or donations, deemed cost, being the fair value of the asset on initial recognition. The cost of an item of Property, Plant and Equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

MIER LOCAL MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

2. PROPERTY, PLANT AND EQUIPMENT (Continued)

When significant components of an item of Property, Plant and Equipment have different useful lives, they are accounted for as separate items (major components) of Property, Plant and Equipment.

Where an asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

The cost of an item of Property, Plant and Equipment acquired in exchange for non-monetary assets or monetary assets, or a combination of monetary and non-monetary assets is measured at the fair value of the asset given up, unless the fair value of the asset received is more clearly evident. If the acquired item could not be measured at its fair value, its cost is measured at the carrying amount of the asset given up.

Major spare parts and servicing equipment qualify as Property, Plant and Equipment when the municipality expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of Property, Plant and Equipment, they are accounted for as Property, Plant and Equipment.

2.2 Subsequent Measurement

Subsequent expenditure relating to Property, Plant and Equipment is capitalised if it is probable that future economic benefits or potential service delivery associated with the subsequent expenditure will flow to the municipality and the cost or fair value of the subsequent expenditure can be reliably measured. Subsequent expenditure incurred on an asset is only capitalised when it increases the capacity or future economic benefits associated with the asset. Where the municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component.

Subsequently all Property Plant and Equipment are measured at cost, less accumulated depreciation and accumulated impairment losses.

Revaluation Model:

Subsequent to initial recognition Property, Plant and Equipment are carried at a revalued amount based on municipal valuations, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are performed by external independent valuers with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the Statement of Financial Position date. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset, and the net amount is restated to the revalued amount of the asset.

An increase in the carrying amount of Property, Plant and Equipment as a result of a revaluation is credited directly to a revaluation surplus reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in the Statement of Financial Performance.

A decrease in the carrying amount of an asset as a result of a revaluation is recognised in the Statement of Financial Performance, except to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

Where items of Property, Plant and Equipment have been impaired the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified except where the impairment reverses a previous revaluation.

When revalued assets are sold or retired the amounts included in the Revaluation Reserve in respect of that assets are transferred to the Statement of Changes in Net Assets.

Compensation from third parties for items of Property, Plant and Equipment that were impaired, lost or given up is included in the Statement of Financial Performance when the compensation becomes receivable.

2.3 Depreciation

Depreciation on assets other than land is calculated on cost, using the *Straight-line Method*, to allocate their cost or revalued amounts to their residual values over the estimated useful lives of the assets. The depreciation method used reflects the pattern in which the asset's future economic benefits or service potential are expected to be consumed by the municipality. Each part of an item of Property, Plant and Equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

MIER LOCAL MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

2. PROPERTY, PLANT AND EQUIPMENT (Continued)

Depreciation only commences when the asset is available for use, unless stated otherwise. The depreciation rates are based on the following estimated useful lives:

Asset Class	Years	Asset Class	Years
Buildings		Other	
Improvements	10 - 30	Bins and Containers	5 - 15
Infrastructure		Computer Equipment	5 - 10
Electricity	5 - 30	Emergency Equipment	5 - 10
Roads and Paving	10 - 80	Furniture and Fittings	5 - 15
Sanitation	7 - 55	Motor Vehicles	7 - 15
Sewerage	7 - 100	Office Equipment	5 - 15
Water	50	Plant and Equipment	5 - 15
Community		Specialist Vehicles	10 - 20
Community Facilities	15 - 30	Other Assets	25 - 30
Recreational Facilities	15 - 30		

The assets' residual values, estimated useful lives and depreciation method are reviewed annually and adjusted prospectively, if appropriate, at each reporting date. Reviewing the useful life of an asset on an annual basis does not require the municipality to amend the previous estimate unless expectations differ from the previous estimate.

2.4 Land

Land is stated at historical cost and is not depreciated as it is deemed to have an indefinite useful life.

2.5 Infrastructure Assets

Infrastructure Assets are any assets that are part of a network of similar assets. Infrastructure Assets are shown at cost less accumulated depreciation and accumulated impairment. Infrastructure Assets are treated similarly to all other assets of the municipality in terms of the Asset Management Policy.

2.6 Incomplete Construction Work

Incomplete Construction Work is stated at historical cost. Depreciation only commences when the asset is available for use.

2.7 Leased Assets

Assets capitalised under finance leases are depreciated over their expected useful lives on the same basis as Property, Plant and Equipment controlled by the municipality or, where shorter, the term of the relevant lease if there is no reasonable certainty that the municipality will obtain ownership by the end of the lease term.

2.8 Housing Development Fund Assets

The Housing Development Fund contains letting schemes that is included in the municipality's Property, Plant and Equipment. All surpluses generated from the letting schemes are transferred to the Housing Development Fund.

2.9 Derecognition

The carrying amount of an item of Property, Plant and Equipment is derecognised on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of an item of Property, Plant and Equipment is included in surplus or deficit when the item is derecognised. Gains are not classified as revenue.

Gains or losses are calculated as the difference between the carrying value of assets (cost less accumulated depreciation and accumulated impairment losses) and the proceeds from disposals are included in the Statement of Financial Performance as a gain or loss on disposal of Property, Plant and Equipment.

MIER LOCAL MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

3. INTANGIBLE ASSETS

The municipality changed its Accounting Policy from GRAP 102 to GRAP 31 with no effect on the financial information previously disclosed.

3.1 Initial Recognition

Identifiable non-monetary assets without physical substance are classified and recognised as Intangible Assets. The municipality recognises an Intangible Asset in its Statement of Financial Position only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality and the cost or fair value of the asset can be measured reliably.

Internally generated Intangible Assets are subject to strict recognition criteria before they are capitalised. Research expenditure is recognised as an expense as it is incurred. Costs incurred on development projects (relating to the design and testing of new or improved products) are recognised as Intangible Assets when the following criteria are fulfilled:

- (a) It is technically feasible to complete the Intangible Asset so that it will be available for use;
- (b) Management intends to complete the Intangible Asset and use or sell it;
- (c) There is an ability to use or sell the Intangible Asset;
- (d) It can be demonstrated how the Intangible Asset will generate probable future economic benefits;
- (e) Adequate technical, financial and other resources to complete the development and to use or sell the Intangible Asset are available; and
- (f) The expenditure attributable to the Intangible Asset during its development can be reliably measured.

Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period. Capitalised development costs are recorded as Intangible Assets and amortised from the point at which the asset is available for use. Development assets are tested for impairment annually, in accordance with GRAP 21 or GRAP 26.

Intangible Assets are initially recognised at cost. The cost of an Intangible Asset is the purchase price and other costs attributable to bring the Intangible Asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality, or where an Intangible Asset is acquired at no cost, or for a nominal cost, the cost shall be its fair value as at the date of acquisition. Trade discounts and rebates are deducted in arriving at the cost.

The cost of an Intangible Asset acquired in exchange for non-monetary assets or monetary assets, or a combination of monetary and non-monetary assets, is measured at the fair value of the asset given up, unless the fair value of the asset received is more clearly evident. If the acquired item could not be measured at its fair value, its cost is measured at the carrying amount of the asset given up. If the acquired item's fair value was not determinable, its deemed cost is the carrying amount of the asset(s) given up.

MIER LOCAL MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

3. INTANGIBLE ASSETS (Continued)

3.2 Subsequent Measurement, Amortisation and Impairment

After initial recognition, Intangible Assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

Revaluation Model:

After initial recognition, Intangible Assets are carried at a revalued amount, being its fair value at the date of the revaluation less any subsequent accumulated amortisation and any subsequent accumulated impairment losses. If the Intangible Asset's carrying amount is increased as a result of a revaluation, the increase is credited directly to the revaluation surplus. However, the increase is recognised in the Statement of Financial Performance to the extent that it reverses a revaluation decrease of the same Intangible Asset previously recognised in the Statement of Financial Performance.

Expenditure on an intangible item that was initially recognised as an expense shall not be recognised as part of the cost of an Intangible Asset at a later date.

In terms of GRAP 31, Intangible Assets are distinguished between internally generated Intangible Assets and other Intangible Assets. It is further distinguished between indefinite or finite useful lives. Amortisation is charged on a *Straight-line Basis* over the Intangible Assets' useful lives. The residual value of Intangible Assets with finite useful lives is zero, unless an active market exists. Where Intangible Assets are deemed to have indefinite useful lives, such Intangible Assets are not amortised. However, such Intangible Assets are subject to an annual impairment test.

Amortisation only commences when the asset is available for use, unless stated otherwise. The amortisation rates are based on the following estimated useful lives:

	Asset Class	Years
	Computer Software	3-5

Intangible Assets are annually tested for impairment as described in Accounting Policy 7 on *Impairment of Assets*, including Intangible Assets not yet available for use. Where items of Intangible Assets have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified. The impairment loss is the difference between the carrying amount and the recoverable service amount.

The estimated useful life, residual values and amortisation method are reviewed annually at the end of the financial year. Any adjustments arising from the annual review are applied prospectively as a Change in Accounting Estimate in the Statement of Financial Performance.

3.3 Derecognition

Intangible Assets are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an Intangible Asset is determined as the difference between the proceeds of disposal and the carrying value and is recognised in the Statement of Financial Performance.

4. INVESTMENT PROPERTY

4.1 Initial Recognition

Investment Property includes property (land or a building, or part of a building, or both land and buildings held under a finance lease) held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, or the sale of an asset in the ordinary course of operations.

At initial recognition, the municipality measures Investment Property at cost including transaction costs once it meets the definition of Investment Property. However, where an Investment Property was acquired through a non-exchange transaction (i.e. where it acquired the Investment Property for no or a nominal value), its cost is its fair value as at the date of acquisition.

The cost of self-constructed Investment Property is the cost at date of completion.

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4. INVESTMENT PROPERTY (Continued)

Based on management's judgement, the following criteria have been applied to distinguish Investment Properties from owner occupied property or property held for resale:

- (a) Land held for long-term capital appreciation rather than for short-term sale in the ordinary course of operations;
- (b) Land held for a currently undetermined future use (If the municipality has not determined that it will use the land as owner-occupied property or for short-term sale in the ordinary course of operations, the land is regarded as held for capital appreciation);
- (c) A building owned by the municipality (or held by the municipality under a finance lease) and leased out under one or more operating leases on a commercial basis (this will include the property portfolio rented out on a commercial basis on behalf of the municipality);
- (d) A property owned by the municipality and leased out at a below market rental; and
- (e) Property that is being constructed or developed for future use as investment property.

The rent earned does not have to be at a commercial basis or market related for the property to be classified as investment property.

The following assets do not fall in the ambit of Investment Property and shall be classified as Property, Plant and Equipment, Inventory or Non-current Assets Held-for-Sale, as appropriate:

- (a) Property held for sale in the ordinary course of operations or in the process of construction or development for such sale;
- (b) Property being constructed or developed on behalf of third parties;
- (c) Owner-occupied property, including (among other things) property held for future use as owner-occupied property, property held for future development and subsequent use as owner-occupied property, property occupied by employees such as housing for personnel (whether or not the employees pay rent at market rates) and owner-occupied property awaiting disposal;
- (d) Property that is leased to another entity under a finance lease;
- (e) Property held to provide goods and services and also generates cash inflows; and
- (f) Property held for strategic purposes which would be accounted for in accordance with the Standard of GRAP on Property, Plant and Equipment.

4.2 Subsequent Measurement

Investment Property is measured using the *Cost Model* and is stated at cost less accumulated depreciation and accumulated impairment losses. Depreciation is calculated on cost, using the *Straight-line Method* over the useful life of the property, which is estimated at 10 - 30 years. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately.

The gain or loss arising on the disposal of an Investment Property is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

Fair Value Model:

Investment Property is measured using the *Fair Value Model*. Investment Property is carried at fair value, representing open market value determined by external valuers at the date of the last general valuation. Fair value is based on active market prices, adjusted for any difference in the nature, location or condition of the specific asset, if necessary. A gain or loss arising from a change in the fair value of Investment Property is included in the Statement of Financial Performance for the period in which it arises.

If the municipality determines that the fair value of an Investment Property under construction is not reliably measurable but expects the fair value to be reliably measurable when construction is completed, it measures that Investment Property at cost until the fair value can be reliably determined or construction has been completed.

Where the municipality has determined that the fair value of an Investment Property (other than Investment Property under construction) is not determinable on a continuing basis, the municipality measures that Investment Property using the cost model (as per the Accounting Policy for Property, Plant and Equipment).

4.3 Derecognition

An Investment Property shall be derecognised (eliminated from the Statement of Financial Position) on disposal or when the Investment Property is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal.

MIER LOCAL MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

5. IMPAIRMENT OF ASSETS

The municipality classifies all assets held with the primary objective of generating a commercial return as *Cash Generating Assets*. All other assets are classified as *Non-cash Generating Assets*.

5.1 Impairment of Cash Generating Assets

The municipality assesses at each reporting date whether there is any indication that an asset may be impaired.

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash generating unit to which the asset belongs is determined.

The recoverable amount of an asset or a cash generating unit is the higher of its fair value less costs to sell and its value in use. The best evidence of fair value less cost to sell is the price in a binding sale agreement in an arm's length transaction, adjusted for the incremental cost that would be directly attributable to the disposal of the asset.

Value in use of a cash-generating asset is the present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life.

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in the Statement of Financial Performance.

Any impairment loss of a revalued asset is treated as a revaluation decrease.

An impairment loss is recognised for cash generating units if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit pro rata on the basis of the carrying amount of each asset in the unit.

The municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable amounts of those assets are

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in the Statement of Financial Performance.

Any reversal of an impairment loss of a revalued asset is treated as a revaluation increase.

5.2 Impairment of Non-cash Generating Assets

The municipality assesses at each reporting date whether there is any indication that an asset may be impaired.

If there is any indication that an asset may be impaired, the recoverable service amount is estimated for the individual asset. If it is not possible to estimate the recoverable service amount of the individual asset, the recoverable service amount of the non-cash generating unit to which the asset belongs is determined.

The recoverable service amount of a non-cash generating asset is the higher of its fair value less costs to sell and its value in use. The value in use for a non-cash generating asset is the present value of the asset's remaining service potential.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

If the recoverable service amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in the Statement of Financial Performance.

Any impairment loss of a revalued asset is treated as a revaluation decrease.

An impairment loss is recognised for non-cash generating units if the recoverable service amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit pro rata on the basis of the carrying amount of each asset in the unit.

MIER LOCAL MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

5. IMPAIRMENT OF ASSETS (Continued)

The municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable service amounts of those assets are estimated.

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in the Statement of Financial Performance.

Any reversal of an impairment loss of a revalued asset is treated as a revaluation increase.

6. FINANCIAL INSTRUMENTS

The municipality has various types of Financial Instruments and these can be broadly categorised as *Financial Assets*, *Financial Liabilities* or *Residual Interests* in accordance with the substance of the contractual agreement. The municipality only recognises a Financial Instrument when it becomes a party to the contractual provisions of the instrument.

Initial Recognition

Financial Assets and Financial Liabilities are recognised on the municipality's Statement of Financial Position when it becomes party to the contractual provisions of the instrument.

The municipality does not offset a Financial Asset and a Financial Liability unless a legally enforceable right to set off the recognised amounts currently exist and the municipality intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Fair Value Methods and Assumptions

The fair values of Financial Instruments are determined as follows:

- The fair values of quoted investments are based on current bid prices.
- If the market for a Financial Asset is not active (and for unlisted securities), the municipality establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models making maximum use of market inputs and relying as little as possible on entity-specific inputs.

The Effective Interest Rate Method

The Effective Interest Method is a method of calculating the amortised cost of a Financial Asset or a Financial Liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the Financial Instrument or, when appropriate, a shorter period to the net carrying amount of the Financial Asset or Financial Liability.

Amortised Cost

Amortised Cost is the amount at which the Financial Asset or Financial Liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation, using the Effective Interest Rate Method of any difference between that initial amount and the maturity amount, and minus any reduction for impairment or uncollectability.

6.1 Financial Assets – Classification

A Financial Asset is any asset that is a cash, a contractual right to receive cash or another financial asset from another entity.

In accordance with GRAP 104 the Financial Assets of the municipality are classified as follows into the three categories allowed by this standard:

- **Financial Assets measured at Amortised Cost** are non-derivative Financial Assets with fixed or determinable payments that are not quoted in an active market. They are included in Current Assets, except for maturities greater than 12 months, which are classified as Non-current Assets. Financial Assets at Amortised Cost are initially recognised at fair value plus transaction costs that are directly attributable to the acquisition or issue of the Financial Asset. After initial recognition, Financial Assets are measured at amortised cost, using the *Effective Interest Rate Method* less a provision for impairment.

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ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

6. FINANCIAL INSTRUMENTS (Continued)

- **Financial Assets measured at Fair Value** are financial assets that meet either of the following conditions:
 - (i) Derivatives;
 - (ii) Combined instruments that are designated at fair value;
 - (iii) Instruments held for trading;
 - (iv) Non-derivative Financial Instruments with fixed or determinable payments that are designated at fair value at initial recognition; or
 - (v) Financial Instruments that do not meet the definition of Financial Instruments at Amortised Cost or Financial Instruments at Cost.
- **Financial Assets measured at Cost** are investments in residual Interest that do not have a quoted market price in an active market and whose fair value cannot be reliably measured.

The municipality has the following types of Financial Assets as reflected on the face of the Statement of Financial Position or in the Notes thereto:

Type of Financial Asset	Classification in terms of GRAP 104
Non-current Investments	Financial Assets at Amortised Cost
Long-term Receivables	Financial Assets at Amortised Cost
Receivables from Exchange Transactions	Financial Assets at Amortised Cost
Receivables from Non-exchange Transactions	Financial Assets at Amortised Cost
Bank, Cash and Cash Equivalents – Notice Deposits	Financial Assets at Amortised Cost
Bank, Cash and Cash Equivalents – Call Deposits	Financial Assets at Amortised Cost
Bank, Cash and Cash Equivalents – Bank	Financial Assets at Amortised Cost
Bank, Cash and Cash Equivalents – Cash	Financial Assets at Fair Value
Current Portion of Non-current Investments	Financial Assets at Amortised Cost
Current Portion of Long-term Receivables	Financial Assets at Amortised Cost

Cash includes cash-on-hand (including petty cash) and cash with banks (including call deposits). Cash Equivalents are short-term highly liquid investments, readily convertible into known amounts of cash, which are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of the Cash Flow Statement, Cash and Cash Equivalents comprise cash-on-hand and deposits held on call with banks, net of bank overdrafts. The municipality categorises Cash and Cash Equivalents as Financial Assets at Amortised Cost.

6.2 Financial Liabilities – Classification

A Financial Liability is a contractual obligation to deliver cash or another Financial Assets to another entity.

There are three main categories of Financial Liabilities, the classification determining how they are measured. Financial Liabilities may be measured at:

- (i) Financial Liabilities measured at Fair Value;
- (ii) Financial Liabilities measured at Amortised Cost; or
- (iii) Financial Liabilities measured at Cost.

The municipality has the following types of Financial Liabilities as reflected on the face of the Statement of Financial Position or in the Notes thereto:

Type of Financial Asset	Classification in terms of GRAP 104
Long-term Liabilities	Financial Liabilities at Amortised Cost
Payables from Exchange Transactions	Financial Liabilities at Amortised Cost
Payables from Non-exchange Transactions	Financial Liabilities at Amortised Cost
Bank Overdraft	Financial Liabilities at Amortised Cost
Short-term Loans	Financial Liabilities at Amortised Cost
Current Portion of Long-term Liabilities	Financial Liabilities at Amortised Cost

Financial Liabilities that are measured at Fair Value are Financial Liabilities that are essentially held for trading (i.e. purchased with the intention to sell or repurchase in the short term; derivatives other than hedging instruments or are part of a portfolio of Financial Instruments where there is recent actual evidence of short-term profiteering or are derivatives).

Bank Overdrafts are recorded based on the facility utilised. Finance charges on bank overdrafts are expensed as incurred.

MIER LOCAL MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

6. FINANCIAL INSTRUMENTS (Continued)

6.3 Initial and Subsequent Measurement

6.3.1 Financial Assets:

Financial Assets measured at Amortised Cost

Financial Assets at Amortised Cost are initially measured at fair value plus transaction costs that are directly attributable to the acquisition or issue of the Financial Asset. Subsequently, these assets are measured at amortised cost using the *Effective Interest Method* less any impairment, with interest recognised on an *Effective Yield Basis*.

Trade and Other Receivables (excluding Value Added Taxation, Prepayments and Operating Lease receivables), Loans to Municipal Entities and Loans that have fixed and determinable payments that are not quoted in an active market are classified as *Financial Assets at Amortised Cost*.

Financial Assets measured at Fair Value

Financial Assets at Fair Value are initially measured at fair value, excluding directly attributable transaction costs. They are subsequently measured at fair value with unrealised gains or losses recognised directly in the Statement of Financial Performance.

6.3.2 Financial Liabilities:

Financial Liabilities measured at Fair Value

Financial Liabilities at Fair Value are stated at fair value, with any resulted gain or loss recognised in the Statement of Financial Performance.

Financial Liabilities held at Amortised Cost

Any other Financial Liabilities are classified as *Other Financial Liabilities* (All Payables, Loans and Borrowings are classified as Other Liabilities) and are initially measured at fair value, net of transaction costs. Trade and Other Payables, Interest-bearing Debt including Finance Lease Liabilities, Non-interest-bearing Debt and Bank Borrowings are subsequently measured at amortised cost using the *Effective Interest Rate Method*. Interest expense is recognised in the Statement of Financial Performance by applying the effective interest rate.

Bank Borrowings, consisting of interest-bearing short-term bank loans, repayable on demand and overdrafts are recorded at the proceeds received. Finance costs are accounted for using the *Accrual Basis* and are added to the carrying amount of the bank borrowing to the extent that they are not settled in the period that they arise.

Prepayments are carried at cost less any accumulated impairment losses.

6.4 Impairment of Financial Assets

Financial Assets, other than those at fair value, are assessed for indicators of impairment at the end of each reporting period. Financial Assets are impaired where there is objective evidence of impairment of Financial Assets (such as the probability of insolvency or significant financial difficulties of the debtor). If there is such evidence the recoverable amount is estimated and an impairment loss is recognised in accordance with GRAP 104.

6.4.1 Financial Assets at Amortised Cost

Accounts Receivable encompass Long-term Debtors, Receivables from Exchange Transactions (Consumer Debtors) and Receivables from Non-exchange Transactions (Other Debtors).

Initially Accounts Receivable are valued at fair value plus transaction costs, and subsequently carried at amortised cost using the *Effective Interest Rate Method*. An estimate is made for doubtful debt based on past default experience of all outstanding amounts at year-end. Bad debts are written off the year in which they are identified as irrecoverable. Amounts receivable within 12 months from the date of reporting are classified as current.

A provision for impairment of Accounts Receivables is established when there is objective evidence that the municipality will not be able to collect all amounts due according to the original terms of receivables. The provision is made in accordance with GRAP 104 whereby the recoverability of accounts receivable is assessed individually and then collectively after grouping the assets in financial assets with similar credit risk characteristics. The amount of the provision is the difference between the Financial Asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Future cash flows in a group of Financial Assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the group. Cash flows relating to short-term receivables are not discounted where the effect of discounting is immaterial.

MIER LOCAL MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

6. FINANCIAL INSTRUMENTS (Continued)

Government accounts are not provided for as such accounts are regarded as receivable.

The carrying amount of the Financial Asset is reduced by the impairment loss directly for all Financial Assets carried at Amortised Cost with the exception of Consumer Debtors, where the carrying amount is reduced through the use of an allowance account. When a Consumer Debtor is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against revenue. Changes in the carrying amount of the allowance account are recognised in the Statement of Financial Performance.

6.4.2 Financial Assets at Cost

If there is objective evidence that an impairment loss has been incurred on an investment in a Residual Interest that is not measured at fair value because its fair value cannot be measured reliably, the amount of the impairment loss is measured as the difference between the carrying amount of the Financial Asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses shall not be reversed.

6.5 Derecognition of Financial Assets

The municipality derecognises Financial Assets only when the contractual rights to the cash flows from the asset expires or it transfers the Financial Asset and substantially all the risks and rewards of ownership of the asset to another entity, except when Council approves the write-off of Financial Assets due to non-recoverability.

If the municipality neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the municipality recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the municipality retains substantially all the risks and rewards of ownership of a transferred Financial Asset, the municipality continues to recognise the Financial Asset and also recognises a collateralised borrowing for the proceeds received.

6.6 Derecognition of Financial Liabilities

The municipality derecognises Financial Liabilities when, and only when, the municipality's obligations are discharged, cancelled or they expire.

The municipality recognises the difference between the carrying amount of the Financial Liability (or part of a Financial Liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, in the Statement of Financial Performance.

7. INVESTMENT IN JOINT VENTURES

A Joint Venture is a contractual arrangement whereby the municipality and the other parties undertake an economic activity that is subject to joint control. Interests in jointly controlled entities are stated at cost.

8. INVENTORIES

8.1 Initial Recognition

Inventories comprise current assets held-for-sale, current assets for consumption or distribution during the ordinary course of business. Inventories are initially recognised at cost. Cost generally refers to the purchase price, plus taxes, transport costs and any other costs in bringing the Inventories to their current location and condition. Where Inventory is manufactured, constructed or produced, the cost includes the cost of labour, materials and overheads used during the manufacturing process.

Where Inventory is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of the item on the date acquired.

Direct costs relating to properties that will be sold as Inventory are accumulated for each separately identifiable development. Costs also include a proportion of overhead costs.

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ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

8. INVENTORIES (Continued)

8.2 Subsequent Measurement

8.2.1 Consumable Stores, Raw Materials, Work-in-Progress and Finished Goods

Consumable stores, raw materials, work-in-progress, inventories distributed at no charge or for a nominal charge and finished goods are valued at the lower of cost and net realisable value (net amount that the municipality expects to realise from the sale on Inventory in the ordinary course of business). The cost is determined using the (FIFO / weighted average) cost of commodities.

8.2.2 Water Inventory

Water is regarded as Inventory when the municipality purchases water in bulk with the intention to resell it to the consumers or to use it internally, or where the municipality has incurred purification costs on water obtained from natural resources (rain, rivers, springs, boreholes, etc). However, water in dams, that are filled by natural resources and that has not yet been treated, that is under the control of the municipality but cannot be measured reliably as there is no cost attached to the water, is therefore not recognised in the Statement of Financial Position.

The basis of determining the cost of water purchased and not yet sold at Statement of Financial Position date comprises all costs of purchase, cost of conversion and other costs incurred in bringing the Inventory to its present location and condition, net of trade discounts and rebates.

Water and purified effluent are valued by using the *FIFO Method*, at the lowest of purified cost and net realisable value, insofar as it is stored and controlled in reservoirs at year-end.

8.2.3 Unsold Properties

Unsold properties are valued at the lower of cost and net realisable value on a *FIFO / Weighted Average Cost Basis*. Direct costs are accumulated for each separately identifiable development. Cost also includes a portion of overhead costs, if this relates to development.

8.2.4 Other Inventories

Redundant and slow-moving Inventories are identified and written down from cost to net realisable value with regard to their estimated economic or realisable values and sold by public auction. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses. Differences arising on the measurement of such Inventory at the lower of cost and net realisable value are recognised in the Statement of Financial Performance in the year in which they arise. The amount of any reversal of any write-down of Inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction in the amount of Inventories recognised as an expense in the period in which the reversal occurs.

The carrying amount of Inventories is recognised as an expense in the period that the Inventory was sold, distributed, written off or consumed, unless that cost qualifies for capitalisation to the cost of another asset.

9. REVENUE RECOGNITION

9.1 General

Revenue is derived from a variety of sources which include rates levied, grants from other tiers of government and revenue from trading activities and other services provided.

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the municipality's activities. Revenue is shown net of value-added tax, returns, rebates and discounts.

The municipality recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits or service potential will flow to the municipality and when specific criteria have been met for each of the municipality's activities as described below, except when specifically stated otherwise. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The municipality bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement. Furthermore, services rendered are recognised by reference to the stage of completion of the transaction at the reporting date.

MIER LOCAL MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

9. REVENUE RECOGNITION (Continued)

Revenue from Exchange Transactions refers to revenue that accrued to the municipality directly in return for services rendered / goods sold, the value of which approximates the consideration received or receivable.

Revenue from Non-exchange Transactions refers to transactions where the municipality received revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

9.2 Revenue from Exchange Transactions

9.2.1 Service Charges

Service Charges are levied in terms of approved tariffs.

Service Charges relating to electricity and water are based on consumption. Meters are read on a monthly basis and are recognised as revenue when invoiced. Provisional estimates of consumption, based on the consumption history, are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced, except at year-end when estimates of consumption up to year-end are recorded as revenue without it being invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period. In respect of estimates of consumption between the last reading date and the reporting date, an accrual is made based on the average monthly consumption of consumers.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to all properties that have improvements. Tariffs are determined per category of property usage, and are levied based on the number of refuse collections on each property during the week.

Service charges relating to sewerage and sanitation are recognised on a monthly basis in arrears by applying the approved tariff to all properties. Tariffs are determined per category of property usage, and are levied based on the extent of each property.

In circumstances where services cannot readily be measured and quantified, a flat rate service charge is levied monthly on such properties.

9.2.2 Prepaid Electricity

Revenue from the sale of electricity prepaid meter cards are recognised at the point of sale. Revenue from the sale of electricity prepaid meter cards made seven days before year-end are recognised as an unutilised portion based on an estimate of the prepaid electricity consumed as at the reporting date.

9.2.3 Rentals Received

Revenue from the rental of facilities and equipment is recognised on a *Straight-line Basis* over the term of the lease agreement.

9.2.4 Finance Income

Interest earned on investments is recognised in the Statement of Financial Performance on the *Time-proportionate Basis* that takes into account the effective yield on the investment.

Interest earned on the following investments is not recognised in the Statement of Financial Performance:

- Interest earned on Trust Funds is allocated directly to the fund.
- Interest earned on unutilised Conditional Grants is allocated directly to the Creditor: Unutilised Conditional Grants, if the grant conditions indicate that interest is payable to the funder.

9.2.5 Dividends

Dividends are recognised on the date that the municipality becomes entitled to receive the dividend in accordance with the substance of the relevant agreement, where applicable.

MIER LOCAL MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

9. REVENUE RECOGNITION (Continued)

9.2.6 Royalties

Royalties are recognised on an *Accrual Basis* in accordance with the substance of the relevant agreement. Royalties determined on a time basis are recognised on a *Straight-line Basis* over the period of the agreement. Royalty arrangements that are based on production, sales and other measures are recognised by reference to the underlying arrangement.

9.2.7 Tariff Charges

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant authorised tariff. This includes the issuing of licences and permits.

9.2.8 Revenue from Agency Services

Revenue for agency services is recognised on a monthly basis once the revenue collected on behalf of agents has been quantified. The revenue recognised is in terms of the agency agreement.

9.2.9 Sale of Goods (including Houses)

Revenue from the sale of goods is recognised when all the following conditions have been met:

- (a) The municipality has transferred to the buyer the significant risks and rewards of ownership of the goods;
- (b) The municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- (c) The amount of revenue can be measured reliably;
- (d) It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- (e) The costs incurred or to be incurred in respect of the transaction can be measured reliably.

9.3 Revenue from Non-exchange Transactions

An inflow of resources from a Non-exchange Transaction, that meets the definition of an asset shall be recognised as an asset when it is probable that the future economic benefits or service potential associated with the asset will flow to the municipality and the fair value of the asset can be measured reliably. The asset shall be recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

A present obligation arising from a Non-exchange Transaction that meets the definition of a liability will be recognised as a liability when it is probable that an outflow of economic benefit will be required to settle the obligation and a reliable estimate of the amount can be made.

9.3.1 Rates and Taxes

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a *Time-proportionate Basis* with reference to the principal amount receivable and effective interest rate applicable. A composite rating system charging different rate tariffs is employed. Rebates are granted to certain categories of ratepayers and are deducted from revenue.

9.3.2 Fines

Fines constitute both spot fines and summonses. Revenue from the issuing of fines is recognised when it is probable that the economic benefits or service potential will flow to the municipality and the amount of the revenue can be measured reliably.

There is uncertainty regarding the probability of the flow of economic benefits or service potential in respect of spot fines as these fines are usually not given directly to an offender. Further legal processes have to be undertaken before the spot fine is enforceable. In respect of summonses the public prosecutor can decide whether to waive the fine, reduce it or prosecute for non-payment by the offender.

An estimate is made for revenue from spot fines and summonses based on past experience of amounts collected. Where a reliable estimate cannot be made of revenue from summonses, the revenue is recognised when the public prosecutor pays the cash collected over to the municipality.

Revenue for fines is recognised when the fine is issued at the full amount of the receivable.

MIER LOCAL MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

9. REVENUE RECOGNITION (Continued)

Assessing and recognising impairment is an event that takes place subsequent to the initial recognition of revenue charged. The municipality assesses the probability of collecting revenue when accounts fall into arrears. Such an assessment is not be made at the time of initial recognition.

9.3.3 Public Contributions

Donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. Where the agreement contains a stipulation to return the asset, other future economic benefits or service potential, in the event of non-compliance to these stipulations and would be enforced by the transferor, a liability is recognised to the extent that the criteria, conditions or obligations have not been met. Where such requirements are not enforceable, or where past experience has indicated that the transferor has never enforced the requirement to return the transferred asset, other future economic benefits or service potential when breaches have occurred, the stipulation will be considered a restriction and is recognised as revenue.

Revenue from public contributions is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment are brought into use.

Assets acquired from non-exchange transactions are measured at fair value in accordance with the Standards of GRAP.

9.3.4 Government Grants and Receipts

Equitable share allocations are recognised in revenue at the start of the financial year if no time-based restrictions exist.

Conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. Where the agreement contains a stipulation to return the asset, other future economic benefits or service potential, in the event of non-compliance to these stipulations and would be enforced by the transferor, a liability is recognised to the extent that the criteria, conditions or obligations have not been met. Where such requirements are not enforceable, or where past experience has indicated that the transferor has never enforced the requirement to return the transferred asset, other future economic benefits or service potential when breaches have occurred, the stipulation will be considered a restriction and is recognised as revenue.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the municipality with no future related costs, are recognised in the Statement of Financial Performance in the period in which they become receivable.

Interest earned on investments is treated in accordance with grant conditions. If it is payable to the funder it is recorded as part of the creditor and if it is the municipality's interest, it is recognised as interest earned in the Statement of Financial Performance.

Revenue is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment are brought into use.

9.3.5 Revenue from Recovery of Unauthorised, Irregular, Fruitless and Wasteful Expenditure

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No 56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain.

MIER LOCAL MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

10. PROVISIONS

Provisions are recognised when the municipality has a present or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate can be made of the obligation.

The best estimate of the expenditure required to settle the present obligation is the amount that the municipality would rationally pay to settle the obligation at the reporting date or to transfer it to a third party at that time and are determined by the judgment of the management of the municipality, supplemented by experience of similar transactions and, in some cases, reports from independent experts. The evidence considered includes any additional evidence provided by events after the reporting date. Uncertainties surrounding the amount to be recognised as a provision are dealt with by various means according to the circumstances. Where the provision being measured involves a large population of items, the obligation is estimated by weighting all possible outcomes by their associated probabilities.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision. An onerous contract is a contract in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. The unavoidable costs under a contract reflect the least net cost of exiting from the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfil it – this unavoidable cost resulting from the contract is the amount of the provision to be recognised.

Provisions are reviewed at reporting date and the amount of a provision is the present value of the expenditure expected to be required to settle the obligation. When the effect of discounting is material, provisions are determined by discounting the expected future cash flows that reflect current market assessments of the time value of money. The impact of the periodic unwinding of the discount is recognised in the Statement of Financial Performance as a finance cost as it occurs.

10.1 Provision for Restructuring Cost

A provision for Restructuring Costs is recognised only when the following criteria over and above the recognition criteria of a provision have been met:

- (a) The municipality has a detailed formal plan for the restructuring, identifying at least:
 - the business or part of a business concerned;
 - the principal locations affected;
 - the location, function and approximate number of employees who will be compensated for terminating their services;
 - the expenditures that will be undertaken;
 - when the plan will be implemented; and
- (b) The municipality has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

10.2 Provision for Environmental Rehabilitation

Estimated long-term environmental provisions, comprising rehabilitation and landfill site closure, are based on the municipality's policy, taking into account current technological, environmental and regulatory requirements. The provision for rehabilitation is recognised as and when the environmental liability arises. To the extent that the obligations relate to the asset, they are capitalised as part of the cost of those assets. Any subsequent changes to an obligation that did not relate to the initial related asset are charged to the Statement of Financial Performance.

MIER LOCAL MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

11. EMPLOYEE BENEFIT LIABILITIES

The municipality changed its Accounting Policy from IAS 19 to GRAP 25 with no effect on the financial information previously disclosed.

11.1 Short-term Employee Benefits

Remuneration to employees is recognised in the Statement of Financial Performance as the services are rendered, except for non-accumulating benefits which are only recognised when the specific event occurs.

The municipality has opted to treat its provision for leave pay as an accrual.

The costs of all short-term employee benefits such as leave pay, are recognised during the period in which the employee renders the related service. The liability for leave pay is based on the total accrued leave days at year end and is shown as a creditor in the Statement of Financial Position. The municipality recognises the expected cost of performance bonuses only when the municipality has a present legal or constructive obligation to make such payment and a reliable estimate can be made.

11.2 Post-employment Benefits

The municipality provides retirement benefits for its employees and councillors, and has both defined benefit and defined contribution post-employment plans.

11.2.1 Defined Contribution Plans

A **Defined Contribution Plan** is a plan under which the municipality pays fixed contributions into a separate entity. The municipality has no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to service in the current or prior periods.

The municipality's contributions to the defined contribution funds are established in terms of the rules governing those plans. Contributions are recognised in the Statement of Financial Performance in the period in which the service is rendered by the relevant employees. The municipality has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

11.2.2 Defined Benefit Plans

A **Defined Benefit Plan** is a post-employment benefit plan other than a defined contribution plan.

Post-retirement Health Care Benefits

The municipality has an obligation to provide Post-retirement Health Care Benefits to certain of its retirees. According to the rules of the Medical Aid Funds with which the municipality is associated, a member (who is on the current Conditions of Service), on retirement, is entitled to remain a continued member of the Medical Aid Fund, in which case the municipality is liable for a certain portion of the medical aid membership fee. Not all Medical Aid Funds with which the Municipality is associated, provide for continued membership.

The defined benefit liability is the aggregate of the present value of the defined benefit obligation and unrecognised actuarial gains and losses, reduced by unrecognised past service costs. The plan is unfunded. The present value of the defined benefit obligation is calculated using the *Projected Unit Credit Method*, incorporating actuarial assumptions and a discount rate based on the government bond rate. Valuations of these obligations are carried out annually by independent qualified actuaries.

Actuarial gains or losses are recognised immediately in the Statement of Financial Performance.

Past-service costs are recognised immediately in the Statement of Financial Performance.

Long-service Allowance

The municipality has an obligation to provide Long-service Allowance Benefits to all of its employees. According to the rules of the Long-service Allowance Scheme, which the municipality instituted and operates, an employee (who is on the current Conditions of Service), is entitled to a cash allowance, calculated in terms of the rules of the scheme, after 10, 15, 20, 25 and 30 years of continued service. The municipality's liability is based on an actuarial valuation. The *Projected Unit Credit Method* is used to value the liabilities. Actuarial gains and losses on the long-term incentives are accounted for through the Statement of Financial Performance.

MIER LOCAL MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

11. EMPLOYEE BENEFIT LIABILITIES (Continued)

Provincially-administered Defined Benefit Plans

The municipality contributes to various National- and Provincial-administered Defined Benefit Plans on behalf of its qualifying employees. These funds are multi-employer funds. The contributions to fund obligations for the payment of retirement benefits are charged against revenue in the year they become payable. These defined benefit funds are actuarially valued triennially on the Projected Unit Credit Method basis. Deficits are recovered through lump sum payments or increased future contributions on a proportional basis from all participating municipalities.

Defined Benefit Pension Plans

The municipality has an obligation to provide Post-retirement Pension Benefits to certain of its retirees. Pension contributions in respect of employees who were not members of a pension fund are recognised as an expense when incurred. Staff provident funds are maintained to accommodate personnel who, due to age, cannot join or be part of the various pension funds. The municipality contributes monthly to the funds.

The liability recognised in the Statement of Financial Position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets, together with adjustments for unrecognised past-service costs. The defined benefit obligation is calculated annually by independent actuaries using the *Projected Unit Credit Method*. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability.

Actuarial gains or losses are recognised immediately in the Statement of Financial Performance.

Past-service costs are recognised immediately in the Statement of Financial Performance.

12. LEASES

12.1 Classification

Leases are classified as **Finance Leases** where substantially all the risks and rewards associated with ownership of an asset are transferred to the municipality.

Leases of property, plant and equipment, in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as **Operating Leases**.

12.2 The Municipality as Lessee

12.2.1 Finance Leases

Where the municipality enters into a finance lease, property, plant and equipment or intangible assets subject to finance lease agreements are capitalised at amounts equal to the fair value of the leased asset or, if lower, the present value of the minimum lease payments, each determined at the inception of the lease. Corresponding liabilities are included in the Statement of Financial Position as Finance Lease Liabilities. The corresponding liabilities are initially recognised at the inception of the lease and are measured as the sum of the minimum lease payments due in terms of the lease agreement, discounted for the effect of interest. In discounting the lease payments, the municipality uses the interest rate that exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset, plus any direct costs incurred. Lease payments are allocated between the finance cost and the capital repayment using the *Effective Interest Rate Method*. Finance costs are expensed when incurred.

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to property, plant and equipment or intangibles. The lease liability is reduced by the lease payments, which are allocated between the finance cost and the capital repayment using the *Effective Interest Rate Method*. Finance costs are expensed when incurred. The accounting policies relating to derecognition of financial instruments are applied to lease payables. The lease asset is depreciated over the shorter of the asset's useful life or the lease term.

12.2.2 Operating Leases

The municipality recognises operating lease rentals as an expense in the Statement of Financial Performance on a *Straight-line Basis* over the term of the relevant lease. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a *Straight-line Basis*, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

MIER LOCAL MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

12. LEASES (Continued)

12.3 The Municipality as Lessor

Amounts due from lessees under **Finance Leases** or instalment sale agreements are recorded as receivables at the amount of the municipality's net investment in the leases. Finance lease or instalment sale revenue is allocated to accounting periods so as to reflect a constant periodic rate of return on the municipality's net investment outstanding in respect of the leases or instalment sale agreements.

Rental revenue from **Operating Leases** is recognised on a *Straight-line Basis* over the term of the relevant lease.

12.4 Determining whether an Arrangement contains a Lease

At inception of an arrangement, the municipality determines whether such an arrangement is, or contains a lease. A specific asset is the subject of a lease if fulfilment of the arrangement is dependent on the use of that specified asset. An arrangement conveys the right to use the asset if the arrangement conveys to the municipality the right to control the use of the underlying asset. At inception, or upon reassessment of the arrangement, the municipality separates payments and other considerations required by such an arrangement into those for the lease and those for other elements on the basis of their relative fair values. If the municipality concludes for a finance lease that it is impracticable to separate the payments reliably, an asset and a liability are recognised at an amount equal to the fair value of the underlying asset. Subsequently the liability is reduced as payments are made and an imputed finance charge on the liability is recognised using the municipality's incremental borrowing rate.

13. BORROWING COSTS

The municipality capitalises borrowing costs incurred that are directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset only when the commencement date for capitalisation is on or after 1 July 2008, while all other borrowing costs incurred (including borrowing cost incurred on qualifying assets where the commencement date for capitalisation is prior to 1 July 2008) are recognised as an expense in the Statement of Financial Performance in accordance with the requirements of GRAP 5.

To the extent that the municipality borrows funds generally and uses them for the purpose of obtaining a qualifying asset, the municipality shall determine the amount of borrowing costs eligible for capitalisation by applying a capitalisation rate to the expenditure on that asset. The capitalisation rate shall be the weighted average of the borrowing costs applicable to the borrowings of the municipality that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset. The amount of borrowing costs that the municipality capitalises during a period shall not exceed the amount of borrowing costs it incurred during that period.

The municipality ceases to capitalise borrowing costs when substantially all the activities necessary to prepare the qualifying assets for its intended use has been completed. Where the construction of the qualifying asset is completed in parts and each part is capable of being used while construction continues on other parts, the municipality shall cease capitalising borrowing costs when it completes substantially all the activities necessary to prepare that part.

14. GRANTS-IN-AID

The municipality transfers money to individuals, organisations and other sectors of government from time to time. When making these transfers, the municipality does not:

- (a) Receive any goods or services directly in return, as would be expected in a purchase or sale transaction;
- (b) Expect to be repaid in future; or
- (c) Expect a financial return, as would be expected from an investment.

These transfers are recognised in the Statement of Financial Performance as expenses in the period that the events giving rise to the transfer occurred.

15. VALUE ADDED TAX

The municipality accounts for Value Added Tax on the Payments Basis in accordance with section 15(2)(a) of the Value-Added Tax Act (Act No 89 of 1991).

MIER LOCAL MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

16. UNAUTHORISED EXPENDITURE

Unauthorised Expenditure is expenditure that has not been budgeted for, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state, and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No 56 of 2003). All expenditure relating to Unauthorised Expenditure is accounted for as an expense in the Statement of Financial Performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

17. IRREGULAR EXPENDITURE

Irregular Expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No 56 of 2003), the Municipal Systems Act (Act No 32 of 2000), the Public Office Bearers Act (Act No 20 of 1998), or is in contravention of the Municipality's or Municipal Entities' Supply Chain Management Policies. Irregular Expenditure excludes Unauthorised Expenditure. Irregular Expenditure is accounted for as an expense in the Statement of Financial Performance in the period it occurred and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

18. FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and Wasteful Expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. All expenditure relating to Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

19. CHANGES IN ACCOUNTING POLICIES, ESTIMATES AND ERRORS

Changes in Accounting Policies that are affected by management have been applied retrospectively in accordance with GRAP 3 requirements, except to the extent that it is impractical to determine the period-specific effects or the cumulative effect of the change in policy. In such cases the municipality restated the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practical. Details of Changes in Accounting Policies are disclosed in the Notes to the Annual Financial Statements where applicable.

Changes in Accounting Estimates are applied prospectively in accordance with GRAP 3 requirements. Details of changes in estimates are disclosed in the Notes to the Annual Financial Statements where applicable.

Correction of Errors is applied retrospectively in the period in which the error has occurred in accordance with GRAP 3 requirements, except to the extent that it is impractical to determine the period-specific effects or the cumulative effect of the error. In such cases the municipality shall restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practical. Details of Correction of Errors are disclosed in the Notes to the Annual Financial Statements where applicable.

20. TREATMENT OF ADMINISTRATION AND OTHER OVERHEAD EXPENSES

The costs of internal support services are transferred to the various services and departments to whom resources are made available.

21. CONTINGENT ASSETS AND CONTINGENT LIABILITIES

Contingent Liabilities represent a possible obligation that arises from past events and whose existence will be confirmed only by an occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the municipality. A contingent liability can also arise as a result of a present obligation that arises from past events but which is not recognised as a liability either because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability.

Contingent Assets represent possible assets that arise from past events and whose existence will be confirmed only by an occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the municipality.

Contingent Assets and Contingent Liabilities are not recognised. Contingencies are disclosed in Notes to the Annual Financial Statements.

MIER LOCAL MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

22. COMMITMENTS

Commitments are future expenditure to which the municipality committed and that will result in the outflow of resources. Commitments are not recognised in the Statement of Financial Position as a liability or as expenditure in the Statement of Financial Performance, but are included in the disclosure Notes. A distinction is made between capital and current commitments.

Commitments are disclosed for:

- Approved and contracted commitments, where the expenditure has been approved and the contract has been awarded at the reporting date, where disclosure is required by a specific standard of GRAP.
- Approved but not yet contracted commitments, where the expenditure has been approved and the contract has yet to be awarded or is awaiting finalisation at the reporting date.
- Items are classified as commitments where the municipality commits itself to future transactions that will normally result in the outflow of resources.
- Contracts that are entered into before the reporting date, but goods and services have not yet been received are disclosed in the disclosure Notes to the Annual Financial Statements.
- Other commitments for contracts that are non-cancellable or only cancellable at significant cost, should relate to something other than the business of the municipality.

23. RELATED PARTIES

The municipality is still applying IPSA 20 and have not yet adopted GRAP 20.

Individuals as well as their close family members, and/or entities are related parties if one party has the ability, directly or indirectly, to control or jointly control the other party or exercise significant influence over the other party in making financial and/or operating decisions. Management is regarded as a related party and comprises the Councillors, Mayor, Executive Committee Members, Municipal Manager, Chief Financial Officer and all other managers reporting directly to the Municipal Manager or as designated by the Municipal Manager.

24. EVENTS AFTER THE REPORTING DATE

Events after the reporting date that are classified as adjusting events have been accounted for in the Annual Financial Statements. The events after the reporting date that are classified as Non-adjusting Events after the Reporting Date have been disclosed in Notes to the Annual Financial Statements.

25. COMPARATIVE INFORMATION

25.1 Current Year Comparatives

In accordance with GRAP 1 Budgeted Amounts have been provided and forms part of the Annual Financial Statements.

25.2 Prior Year Comparatives

When the presentation or classification of items in the Annual Financial Statements is amended, prior period comparative amounts are reclassified. The nature and reason for the reclassification is disclosed.

25.3 Budget Information

The annual budget figures have been prepared in accordance with the GRAP standard and are consistent with the Accounting Policies adopted by the Council for the preparation of these Annual Financial Statements. The amounts are scheduled as a separate additional financial statement, called the Statement of Comparison of Budget and Actual amounts. Explanatory comment is provided in the statement giving reasons for overall growth or decline in the budget and motivations for over- or under spending on line items. The annual budget figures included in the Annual Financial Statements are for the municipality and do not include budget information relating to subsidiaries or associates. These figures are those approved by the Council at the beginning and during the year following a period of consultation with the public as part of the Integrated Development Plan. The budget is approved on an accrual basis by nature classification.

The approved budget covers the period from 1 July 2015 to 30 June 2016.

MIER LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

2016
R **2015**
R

1. GENERAL INFORMATION

Mier Local Municipality (the municipality) is a local government institution in Rietfontein, Northern Cape Province, and is one of six local municipalities under the jurisdiction of the Siyanda District Municipality. The addresses of its registered office and principal place of business are disclosed under "General Information" included in the Annual Financial Statements and in the introduction of the Annual Report. The principal activities of the municipality are disclosed in the Annual Report and are prescribed by the Municipal Finance Management Act (MFMA).

2. INVENTORIES

Consumable Stores	453 620	433 018
Water - at cost	41	43
Total Inventories	453 661	433 061

Inventories are held for own use and measured at the lower of Cost and Current Replacement Cost. No write downs of Inventory to Net Realisable Value were required.

Properties held for sale are being kept on a register and is not disclosed as management does not have control over these properties anymore but as per the deeds office, these properties have not yet been transferred to the new owners.

No Inventories have been pledged as collateral for Liabilities of the municipality.

3. RECEIVABLES FROM EXCHANGE TRANSACTIONS

	Gross Balances R	Provision for Impairment R	Net Balances R
As at 30 June 2016			
Service Debtors:	2 303 877	956 649	1 347 228
Refuse	677 302	288 226	389 076
Sewerage	505 380	215 064	290 315
Water	1 121 195	453 359	667 836
Other Receivables	593 374	252 510	340 864
Other Debtors	593 374	252 510	340 864
Total Receivables from Exchange Transactions	2 897 251	1 209 159	1 688 092
	Gross Balances R	Provision for Impairment R	Net Balances R
As at 30 June 2015			
Service Debtors:	17 244 337	15 416 139	1 828 198
Refuse	5 807 287	5 240 064	567 223
Sewerage	4 705 324	4 190 083	515 241
Water	6 731 726	5 985 992	745 733
Other Receivables	1 091 449	766 159	325 290
Other Debtors	1 091 449	766 159	325 290
Total Receivables from Exchange Transactions	18 335 786	16 182 297	2 153 488

Other Receivables include outstanding debtors for various other services, e.g. Deposits, Interest, Rentals and Sundry Services like Dumping Fees, Impounding Fees, etc.

The management of the municipality is of the opinion that the carrying value of Receivables approximate their fair values.

The municipality receives applications that it processes. Deposits are not required to be paid for all water accounts opened. There are no consumers who represent more than 5% of the total balance of Receivables.

At 30 June 2016, the municipality is owed R3 301 248 (30 June 2015: R3 059 745) by National and Provincial Government.

The municipality did not pledge any of its Receivables as security for borrowing purposes.

MIER LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

2016
R

2015
R

3. RECEIVABLES FROM EXCHANGE TRANSACTIONS (Continued)

3.1 Ageing of Receivables from Exchange Transactions

As at 30 June 2016

	Current	Past Due			Total
	<i>0 - 30 days</i>	<i>31 - 60 Days</i>	<i>61 - 90 Days</i>	<i>+ 90 Days</i>	
Refuse:					
Gross Balances	70 538	38 500	37 493	530 771	677 302
Less: Provision for Impairment	30 017	16 384	15 955	225 870	288 226
Net Balances	40 520	22 116	21 538	304 902	389 076
Sewerage:					
Gross Balances	45 966	30 134	28 716	400 564	505 380
Less: Provision for Impairment	19 561	12 824	12 220	170 460	215 064
Net Balances	26 405	17 310	16 496	230 104	290 315
Water:					
Gross Balances	139 700	43 837	38 390	899 267	1 121 195
Less: Provision for Impairment	37 961	18 553	16 248	380 597	453 359
Net Balances	101 740	25 284	22 142	518 670	667 836
Other Receivables:					
Gross Balances	164 782	33 658	40 055	354 879	593 374
Less: Provision for Impairment	70 123	14 323	17 045	151 019	252 510
Net Balances	94 659	19 335	23 010	203 861	340 864

As at 30 June Receivables of R1 424 767 were past due but not impaired. The age analysis of these Receivables are as follows:

	Past Due			Total
	<i>31 - 60 Days</i>	<i>61 - 90 Days</i>	<i>+ 90 Days</i>	
All Receivables:				
Gross Balances	146 129	144 654	2 185 481	2 476 264
Less: Provision for Impairment	62 083	61 468	927 945	1 051 497
Net Balances	84 046	83 186	1 257 536	1 424 767

As at 30 June 2015

	Current	Past Due			Total
	<i>0 - 30 days</i>	<i>31 - 60 Days</i>	<i>61 - 90 Days</i>	<i>+ 90 Days</i>	
Refuse:					
Gross Balances	113 459	64 623	66 959	5 562 246	5 807 287
Less: Provision for Impairment	54 166	53 339	53 117	5 079 442	5 240 064
Net Balances	59 293	11 284	13 842	482 804	567 223
Sewerage:					
Gross Balances	58 224	45 621	50 105	4 551 374	4 705 324
Less: Provision for Impairment	39 083	33 791	33 755	4 083 452	4 190 083
Net Balances	19 141	11 829	16 350	467 921	515 241
Water:					
Gross Balances	69 437	64 196	65 221	6 532 872	6 731 726
Less: Provision for Impairment	57 445	52 176	52 759	5 823 612	5 985 992
Net Balances	11 992	12 020	12 462	709 260	745 733

MIER LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

			2016 R	2015 R
3. RECEIVABLES FROM EXCHANGE TRANSACTIONS (Continued)				
Other Receivables:				
Gross Balances	106 830	42 294	32 410	909 914
Less: Provision for Impairment	54 762	4 446	213	706 737
Net Balances	52 068	37 848	32 197	203 177

As at 30 June Receivables of R2 010 994 were past due but not impaired. The age analysis of these Receivables are as follows:

	Past Due			Total
	31 - 60 Days	61 - 90 Days	+ 90 Days	
All Receivables:				
Gross Balances	216 734	214 695	17 556 406	17 987 835
Less: Provision for Impairment	143 752	139 845	15 693 244	15 976 841
Net Balances	72 982	74 850	1 863 162	2 010 994

3.2 Summary of Receivables from Exchange Transactions by Customer Classification

	Household R	Industrial/ Commercial R	National and Provincial Government R	Other R
As at 30 June 2016				
<u>Current:</u>				
0 - 30 days	447 871	298 108	(324 992)	-
<u>Past Due:</u>				
31 - 60 Days	108 073	24 683	13 373	-
61 - 90 Days	104 305	21 187	19 162	-
+ 90 Days	713 896	496 541	975 044	-
Sub-total	1 374 146	840 518	682 586	-
Less: Provision for Impairment	397 294	282 766	529 099	-
Total Trade Receivables by Customer Classification	976 852	557 753	153 487	-

	Household R	Industrial/ Commercial R	National and Provincial Government R	Other R
As at 30 June 2015				
<u>Current:</u>				
0 - 30 days	223 625	110 175	14 151	-
<u>Past Due:</u>				
31 - 60 Days	175 249	27 681	13 805	-
61 - 90 Days	168 738	23 260	22 697	-
+ 90 Days	16 626 331	729 244	200 831	-
Sub-total	17 193 943	890 360	251 484	-
Less: Provision for Impairment	15 582 791	599 506	-	-
Total Trade Receivables by Customer Classification	1 611 152	290 854	251 484	-

3.3 Reconciliation of the Provision for Impairment

Balance at beginning of year	16 182 298	15 776 920
<i>All Consumer Debtors</i>	16 182 298	15 776 920
Impairment Losses recognised	4 234 116	405 378
<i>All Consumer Debtors</i>	4 234 116	405 378
Amounts written off as uncollectable	(19 207 254)	-
<i>All Consumer Debtors</i>	(19 207 254)	-
Balance at end of year	1 209 159	16 182 298

MIER LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

2016
R

2015
R

3. RECEIVABLES FROM EXCHANGE TRANSACTIONS (Continued)

In determining the recoverability of a Receivable, the municipality considers any change in the credit quality of the Receivable from the date credit was initially granted up to the reporting date. Furthermore, the municipality has also placed a strong emphasis on verifying the indigent status of consumers. The concentration of credit risk is limited due to the customer base being spread over a large number of consumers and is not concentrated in any particular sector or geographical area. Accordingly, management believe that there is no further credit provision required in excess of the Provision for Impairment.

In determining the recoverability of Receivables, the municipality has placed strong emphasis on verifying the indigent status of consumers. Provision for impairment of Receivables has been made for all consumer balances outstanding based on the payment ratio over 12 months per service type. No further credit provision is required in excess of the Provision for Impairment.

No provision has been made in respect of government debt as these amounts are considered to be fully recoverable.

3.4 Ageing of impaired Receivables from Exchange Transactions

Current:

0 - 30 Days	157 662	205 457
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Past Due:

31 - 60 Days	62 083	143 752
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61 - 90 Days	61 468	139 845
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+ 90 Days	927 945	15 693 244
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Total	1 209 159	16 182 297
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3.5 Derecognition of Financial Assets

No Financial Assets have been transferred to other parties during the year.

4. RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS

	Gross Balances R	Provision for Impairment R	Net Balances R
As at 30 June 2016			
Assessment Rates Debtors	4 930 538	2 100 674	2 829 864
Sundry Debtors	3 352 346	17 752	3 334 594
Total Receivables from Non-exchange Transactions	8 282 884	2 118 426	6 164 458
	Gross Balances R	Provision for Impairment R	Net Balances R
As at 30 June 2015			
Assessment Rates Debtors	6 000 823	3 026 882	2 973 941
Sundry Debtors	470 650	97 932	372 717
Total Receivables from Non-exchange Transactions	6 471 472	3 124 814	3 346 658

Sundry Debtors are in respect of debits outstanding at year-end on normal business transactions entered into by the municipality.

MIER LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

2016
R

2015
R

4. RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS (Continued)

The municipality does not hold deposits or other security for its Receivables.

None of the Receivables have been pledged as security for the municipality's financial liabilities.

The management of the municipality is of the opinion that the carrying value of Receivables approximate their fair values.

The fair value of Receivables was determined after considering the standard terms and conditions of agreements entered into between the municipality and National / Provincial Departments as well as Other Debtors. The current payment ratios of Other Debtors were also taken into account for fair value determination.

4.1 Ageing of Receivables from Non-exchange Transactions

As at 30 June 2016

	Current	Past Due			Total
	<i>0 - 30 days</i>	<i>31 - 60 Days</i>	<i>61 - 90 Days</i>	<i>+ 90 Days</i>	
Assessment Rates:					
Gross Balances	(18 363)	1	1	4 948 898	4 930 538
Less: Provision for Impairment	(7 824)	-	-	2 108 497	2 100 673
Net Balances	(10 539)	1	1	2 840 402	2 829 865
Sundry Debtors:					
Gross Balances	3 236 102	-	-	116 244	3 352 346
Less: Provision for Impairment	207	-	-	17 545	17 752
Net Balances	3 235 895	-	-	98 699	3 334 594

As at 30 June Receivables of R2 939 103 were past due but not impaired. The age analysis of these Receivables are as follows:

	Past Due			Total
	<i>31 - 60 Days</i>	<i>61 - 90 Days</i>	<i>+ 90 Days</i>	
All Receivables:				
Gross Balances	1	1	5 065 142	5 065 144
Less: Provision for Impairment	-	-	2 126 041	2 126 041
Net Balances	1	1	2 939 101	2 939 103

As at 30 June 2015

	Current	Past Due			Total
	<i>0 - 30 days</i>	<i>31 - 60 Days</i>	<i>61 - 90 Days</i>	<i>+ 90 Days</i>	
Assessment Rates:					
Gross Balances	9 578	2 023	3 101	5 986 121	6 000 823
Less: Provision for Impairment	71 052	2 023	1	2 953 807	3 026 882
Net Balances	(61 474)	1	3 100	3 032 314	2 973 941
Sundry Debtors:					
Gross Balances	322 042	6 350	-	142 257	470 650
Less: Provision for Impairment	7 468	5 009	-	85 456	97 932
Net Balances	314 575	1 341	-	56 801	372 717

As at 30 June Receivables of R3 093 557 were past due but not impaired. The age analysis of these Receivables are as follows:

MIER LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

	2016 R			2015 R
4. RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS (Continued)				
	Past Due			Total
	<i>31 - 60 Days</i>	<i>61 - 90 Days</i>	<i>+ 90 Days</i>	
<i>All Receivables:</i>				
Gross Balances	8 373	3 101	6 128 378	6 139 852
Less: Provision for Impairment	7 032	1	3 039 262	3 046 295
Net Balances	1 342	3 100	3 089 116	3 093 557

4.2 Summary of Assessment Rates Debtors by Customer Classification

	Household R	Industrial/ Commercial R	National and Provincial Government R	Other R
As at 30 June 2016				
<i>Current:</i>				
0 - 30 days	3 196 507	(235 430)	256 662	-
<i>Past Due:</i>				
31 - 60 Days	1	-	-	-
61 - 90 Days	1	-	-	-
+ 90 Days	1 543 951	1 159 192	2 362 000	-
Sub-total	4 740 460	923 762	2 618 662	-
Less: Provision for Impairment	696 051	495 401	926 973	-
Total Rates Debtors by Customer Classification	4 044 409	428 361	1 691 688	-

	Household R	Industrial/ Commercial R	National and Provincial Government R	Other R
As at 30 June 2015				
<i>Current:</i>				
0 - 30 days	(21 071)	6 439	24 210	-
<i>Past Due:</i>				
31 - 60 Days	-	2 023	-	-
61 - 90 Days	1	-	3 099	-
+ 90 Days	2 191 402	1 013 767	2 780 952	-
Sub-total	2 170 332	1 022 229	2 808 261	-
Less: Provision for Impairment	2 028 227	998 655	-	-
Total Rates Debtors by Customer Classification	142 105	23 574	2 808 261	-

	2016 R	2015 R
4.3 Reconciliation of Provision for Impairment		
Balance at beginning of year	3 124 814	2 820 359
<i>Other Debtors</i>	1 768	-
<i>Assessment Rates Debtors</i>	3 123 046	2 820 359
Impairment Losses recognised	1 006 388	304 456
<i>Other Debtors</i>	9 150	1 768
<i>Assessment Rates Debtors</i>	997 238	302 687
Amounts written off as uncollectable	-	-
<i>Assessment Rates Debtors</i>	-	-
Balance at end of year	2 118 426	3 124 814

MIER LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

2016
R

2015
R

4. RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS (Continued)

The Provision for Impairment on Receivables exists predominantly due to the possibility that these debts will not be recovered. Loans and receivables were assessed individually and grouped together at the Statement of Financial Position as financial assets with similar credit risk characteristics and collectively assessed for impairment.

The Provision for Impairment was calculated after grouping all the financial assets of similar nature and risk ratings and by calculating the historical payment ratios for the groupings and by assuming that the future payment ratios would be similar to the historical payment ratios.

In determining the recoverability of a Rates Assessment Debtor and Receivables from Non-exchange Transactions, the municipality considers any change in the credit quality of the Rates Assessment Debtor from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly, the management believe that there is no further credit provision required in excess of the Provision for Impairment.

No Provision for Impairment has been made in respect of government debt as these amounts are considered to be fully recoverable.

The following Loans and Receivables are included in the total amount of the Provision for Impairment:

Assessment Rates Debtors	2 125 808	3 123 046
Sundry Debtors	(7 382)	1 768
Total Provision for Impairment on Receivables from Non-exchange Transactions	2 118 426	3 124 814

5. VAT RECEIVABLE

Vat Receivable.	2 901 798
-	2 901 798

Vat is payable on the receipts basis. Only once payment is received from debtors, VAT is paid over to SARS.

No interest is payable to SARS if the VAT is paid over timeously, but interest for late payments is charged according to SARS policies. The municipality has financial risk policies in place to ensure that payments are affected before the due date.

6. CASH AND CASH EQUIVALENTS

Current Investments	3 308 632	976 952
Bank Accounts	52 814	43 223
Total Bank, Cash and Cash Equivalents	3 361 446	1 020 176

For the purposes of the Statement of Financial Position and the Cash Flow Statement, Cash and Cash Equivalents include Cash-on-Hand, Cash in Banks and Investments in Money Market Instruments, net of outstanding Bank Overdrafts.

6.1 Current Investment Deposits

Notice Deposits	3 308 632	976 952
Total Current Investment Deposits	3 308 632	976 952

Call Deposits are investments with a maturity period of less than 3 months and earn interest rates varying from 4,30 % to 5,22 % (2012: 4,40% to 5,30%) per annum.

Deposits attributable to Unspent Conditional Grants	3 308 632	976 952
Total Deposits attributable to Commitments of the Municipality	3 308 632	976 952

MIER LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

	2016 R	2015 R
6. CASH AND CASH EQUIVALENTS (Continued)		
6.2 Bank Accounts		
Cash in Bank	52 814	43 223
Total Bank Accounts	52 814	43 223

The Municipality has the following bank accounts:

Primary Bank Account - Standard Bank - Acc No: 406 81 092

Cash book balance at beginning of year	43 223	221 246
Cash book balance at end of year	52 814	43 223
Bank statement balance at beginning of year	231 579	4 913 158
Bank statement balance at end of year	59 795	231 579

An amount of R3 308 632 (2015: R966 403) is attributable to Unspent Conditional Grants.

The municipality does not have any overdrawn current account facilities with its banker and therefore does not incur interest on overdrawn current accounts. Interest is earned at different rates per annum on favourable balances.

The management of the municipality is of the opinion that the carrying value of Current Investment Deposits, Bank Balances, Cash and Cash Equivalents recorded at amortised cost in the Annual Financial Statements approximate their fair values.

The fair value of Current Investment Deposits, Bank Balances, Cash and Cash Equivalents was determined after considering the standard terms and conditions of agreements entered into between the municipality and financial institutions.

7 OPERATING LEASE RECEIVABLES

Operating Leases are recognised on the straight-line basis as per the requirement of GRAP 13. In respect of Non-cancellable Operating Leases the following assets have been recognised:

Balance at beginning of year	(28 973)	(73 118)
Operating Lease Revenue effected	54 609	44 146
Total Operating Lease Receivables	25 636	(28 973)

7.1 Leasing Arrangements

The Municipality as Lessor:

Operating Leases relate to Property owned by the municipality with lease terms of between 2 to 20 (2015: 2 to 20) years, with an option to extend. All operating lease contracts contain market review clauses in the event that the lessee exercises its option to renew. The lessee does not have an option to purchase the property at the expiry of the lease period.

7.2 Amounts receivable under Operating Leases

At the Reporting Date the following minimum lease payments were receivable under Non-cancellable Operating Leases for Property, Plant and Equipment, which are receivable as follows:

Up to 1 year	89 679	25 636
2 to 5 years	515 089	504 692
More than 5 years	53 996	154 073
Total Operating Lease Arrangements	658 765	684 401

No restrictions have been imposed by the municipality in terms of the operating lease agreements.

MIER LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

8 PROPERTY, PLANT AND EQUIPMENT

30 June 2016

Reconciliation of Carrying Value

Description	Land	Buildings	Infra- structure	Commuity Assets	Other	Leased Assets	Total
	R	R	R	R	R	R	R
Carrying values at 01 July 2015	29 799 431	25 095 991	85 107 111	1 536 148	2 001 156	26 857	143 566 694
Cost	29 799 431	38 721 438	143 034 735	1 844 473	3 828 278	207 732	217 436 087
- Completed Assets	29 799 431	36 753 582	139 188 434	1 844 473	3 828 278	207 732	211 621 930
- Under Construction	-	1 967 856	3 846 301	-	-	-	5 814 157
Accumulated Impairment Losses	-	-	(24 592)	-	(74 097)	(40 322)	(139 011)
Accumulated Depreciation:	-	(13 625 448)	(57 903 032)	(308 324)	(1 753 025)	(140 553)	(73 730 383)
- Cost	-	(13 625 448)	(57 903 032)	(308 324)	(1 753 025)	(140 553)	(73 730 383)
Acquisitions	-	2 182 699	2 199 821	849 139	331 256	-	5 562 914
Capital under Construction - Additions:	-	294 754	8 492 592	455 697	-	-	9 243 043
- Cost	-	294 754	8 492 592	455 697	-	-	9 243 043
Depreciation:	-	(852 648)	(4 475 985)	(149 225)	(405 436)	(7 317)	(5 890 612)
- Based on Cost	-	(852 648)	(4 475 985)	(149 225)	(405 436)	(7 317)	(5 890 612)
Carrying value of Disposals:	-	-	(532 053)	-	(152 003)	(1 887)	(685 943)
- Cost	-	-	(2 025 464)	-	(744 521)	(69 881)	(2 839 866)
- Accumulated Impairment Losses	-	-	-	-	71 015	40 322	111 337
- Accumulated Depreciation	-	-	1 493 411	-	521 503	27 673	2 042 587
- Based on Cost	-	-	1 493 411	-	521 503	27 673	2 042 587
Impairment Losses	-	-	-	-	-	-	-
Capital under Construction - Completed	-	(2 262 610)	(2 203 616)	-	-	-	(4 466 226)
Other Movements	-	-	-	-	17 653	(17 653)	-
- Cost	-	-	-	-	137 851	(137 851)	-
- Transfer In	-	-	-	-	137 851	-	-
- Transfer Out	-	-	-	-	-	(137 851)	-
- Accumulated Depreciation	-	-	-	-	(120 198)	120 198	-
- Based on Cost	-	-	-	-	(120 198)	120 198	-
- Transfer In	-	-	-	-	(120 198)	-	-
- Transfer Out	-	-	-	-	-	120 198	-
Carrying values at 30 June 2016	29 799 431	24 458 185	88 587 870	2 691 758	1 792 625	-	147 329 870
Cost	29 799 431	38 936 281	149 498 068	3 149 308	3 552 864	-	224 935 953
- Completed Assets	29 799 431	38 936 281	139 362 791	2 693 611	3 552 864	-	214 344 979
- Under Construction	-	-	10 135 277	455 697	-	-	10 590 974
Accumulated Impairment Losses	-	-	(24 592)	-	(3 082)	-	(27 674)
Accumulated Depreciation:	-	(14 478 096)	(60 885 606)	(457 550)	(1 757 157)	-	(77 578 408)
- Cost	-	(14 478 096)	(60 885 606)	(457 550)	(1 757 157)	-	(77 578 408)

MIER LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

8 PROPERTY, PLANT AND EQUIPMENT (Continued)
30 June 2015

Reconciliation of Carrying Value

Description	Land	Buildings	Infra- structure	Commuity Assets	Other	Leased Assets	Total
	R	R	R	R	R	R	R
Carrying values at 01 July 2014	29 799 431	24 095 011	79 679 996	1 672 435	1 080 715	51 973	136 379 562
Cost	29 799 431	36 893 862	132 932 466	1 844 473	2 654 666	200 785	204 325 683
- Completed Assets	29 799 431	36 753 582	132 262 505	1 844 473	2 654 666	200 785	203 515 442
- Under Construction	-	140 280	669 961	-	-	-	810 241
Accumulated Impairment Losses	-	-	(8 772)	-	(17 514)	(40 322)	(66 607)
Accumulated Depreciation:	-	(12 798 851)	(53 243 698)	(172 038)	(1 556 437)	(108 490)	(67 879 514)
- Cost	-	(12 798 851)	(53 243 698)	(172 038)	(1 556 437)	(108 490)	(67 879 514)
Acquisitions	-	-	8 027 405	-	1 248 794	6 947	9 283 147
Capital under Construction - Additions:	-	1 827 576	3 741 301	-	-	-	5 568 877
- Cost	-	1 827 576	3 741 301	-	-	-	5 568 877
Depreciation:	-	(826 597)	(5 683 885)	(136 287)	(256 802)	(32 064)	(6 935 634)
- Based on Cost	-	(826 597)	(5 683 885)	(136 287)	(256 802)	(32 064)	(6 935 634)
Carrying value of Disposals:	-	-	(76 925)	-	(14 969)	-	(91 894)
- Cost	-	-	(1 101 476)	-	(75 182)	-	(1 176 658)
- Accumulated Depreciation	-	-	1 024 551	-	60 213	-	1 084 764
- Based on Cost	-	-	1 024 551	-	60 213	-	1 084 764
Impairment Losses	-	-	(15 820)	-	(56 583)	-	(72 403)
Capital under Construction - Completed	-	-	(564 961)	-	-	-	(564 961)
Carrying values at 30 June 2015	29 799 431	25 095 991	85 107 111	1 536 148	2 001 156	26 857	143 566 694
Cost	29 799 431	38 721 438	143 034 735	1 844 473	3 828 278	207 732	217 436 087
- Completed Assets	29 799 431	36 753 582	139 188 434	1 844 473	3 828 278	207 732	211 621 930
- Under Construction	-	1 967 856	3 846 301	-	-	-	5 814 157
Accumulated Impairment Losses	-	-	(24 592)	-	(74 097)	(40 322)	(139 011)
Accumulated Depreciation:	-	(13 625 448)	(57 903 032)	(308 324)	(1 753 025)	(140 553)	(73 730 383)
- Cost	-	(13 625 448)	(57 903 032)	(308 324)	(1 753 025)	(140 553)	(73 730 383)

Property, Plant and Equipment have been restated to correct the 2015 opening balance due to Land and Buildings that was not on the asset register. Refer to Note 39 on "Correction of Error" for details of the restatement.

The leased Property, Plant and Equipment is secured as set out in Note 19.

Refer to Appendices "B, C and E (4)" for more detail on Property, Plant and Equipment, including those in the course of construction.

MIER LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

2016
R

2015
R

8 PROPERTY, PLANT AND EQUIPMENT (Continued)

8.1 Gross Carrying Amount of Property, Plant and Equipment that is fully depreciated and still in use

There are no Property, Plant and Equipment that is fully depreciated at year-end and still in use by the municipality.

8.2 Carrying Amount of Property, Plant and Equipment retired from active use and held for disposal

No Property, Plant and Equipment were retired from active use and held for disposal during the financial year.

8.3 Assets pledged as security

The municipality did not pledge any of its assets as security.

8.4 Impairment of Property, Plant and Equipment

During the period, the municipality carried out a review of the recoverable amount of its infrastructure property, plant and equipment, having regard to its ongoing programme of modernisation and the extension of its services. These assets are used in the municipality's basic services delivery reportable segments. The review led to the recognition of an impairment loss of R0 (2015: R72 403), which has been recognised in the Statement of Financial Performance.

The amount disclosed for impairment losses on Property, Plant and Equipment does not include individually material amounts of impairment losses. However, cumulative impairment losses for the following significant account balances are included therein:

Infrastructure: Roads	-	15 820
Other Assets: Emergency Equipment	-	955
Other Assets: Furniture and Fittings	-	2 295
Other Assets: Motor Vehicles	-	35 200
Other Assets: Office Equipment	-	4 023
Other Assets: Plant and Equipment	-	14 110
Total Impairment of Property, Plant and Equipment	-	72 403

8.5 Change in Estimate - Useful Life of Property, Plant and Equipment reviewed

A change in the estimated useful life of various assets of the municipality has resulted in the following decreases in depreciation for the mentioned departments for the financial year:

Executive and Council	-	(10 844)
Finance and Administration	-	(152 213)
Waste Water Management	(1 046 129)	-
Roads and Transport	-	(191 616)
Water	(12 597)	(42 798)
Public Works	(251 306)	(1 525)
Total Change in Estimate for Useful Life of Property, Plant and Equipment	(1 310 032)	(398 996)

8.6 Land and Buildings carried at Fair Value

The municipality's Land and Buildings are accounted for according to the cost model and therefore no fair value has been determined.

8.7 Work-in-progress

The municipality has incurred expenditure on capital project which were not completed at year end. The details of the carrying amounts of expenditure included in each class of assets are listed below:

Carrying amounts of Work-in-progress		
Infrastructure	10 135 276.59	3 846 301.11
Community Assets	455 696.41	
	10 590 973.00	3 846 301.11

No projects that are currently in progress are experiencing significant delays.

MIER LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

	2016 R	2015 R
9 INTANGIBLE ASSETS		
At Cost less Accumulated Amortisation and Accumulated Impairment Losses	1 932 670	1 987 957
The movement in Intangible Assets is reconciled as follows:		
	Computer Software	Total
Carrying values at 01 July 2015	1 987 957	1 987 957
Cost	2 053 107	2 053 107
Accumulated Amortisation	(63 415)	(63 415)
Accumulated Impairment	(1 735)	(1 735)
Acquisitions:	-	-
Purchased	-	-
Amortisation:	(55 287)	(55 287)
Purchased	(55 287)	(55 287)
Disposals:	-	-
At Cost	(47 710)	(47 710)
At Accumulated Amortisation	45 975	45 975
At Accumulated Impairment	1 735	1 735
Carrying values at 30 June 2016	1 932 670	1 932 670
Cost	2 005 397	2 005 397
Accumulated Amortisation	(72 727)	(72 727)
Accumulated Impairment Losses	-	-
	Computer Software	Total
Carrying values at 01 July 2014	1 837 297	1 837 297
Cost	1 874 636	1 874 636
Accumulated Amortisation	(37 339)	(37 339)
Acquisitions:	178 470	178 470
Purchased	178 470	178 470
Amortisation:	(26 076)	(26 076)
Purchased	(26 076)	(26 076)
Impairment Losses Recognised	(1 735)	(1 735)
Carrying values at 30 June 2015	1 987 957	1 987 957
Cost	2 053 107	2 053 107
Accumulated Amortisation	(63 415)	(63 415)
Accumulated Impairment Losses	(1 735)	(1 735)

Intangible Assets have been restated to correct the Cost price of donated software. Refer to Note 39 on "Correction of Error" for details of the restatement.

The amortisation expense has been included in the line item "Depreciation and Amortisation" in the Statement of Financial Performance (see Note 32).

All of the municipality's Intangible Assets are held under freehold interests and no Intangible Assets had been pledged as security for any liabilities of the municipality.

No restrictions apply to any of the Intangible Assets of the municipality.

Refer to Appendix "B" for more detail on Intangible Assets.

9.1 Significant Intangible Assets

The municipality owns computer software with significant values. The carrying amount of the IMIS system was R800 000 (2015: R800 000), while the SAMRAS system has a carrying amount of R1 000 000 (2015: R1 000 000).

9.2 Intangible Assets with Indefinite Useful Lives

The following classes of Intangible Assets are not amortised as they are regarded as having indefinite useful lives:

Carrying Value of Computer Software: IMIS System	800 000	800 000
Carrying Value of Computer Software: SAMRAS Financial System	1 000 000	1 000 000
Total Carrying Amount of Intangible Assets with Indefinite Useful Lives	1 800 000	1 800 000

Computer Software are regarded as having Indefinite Useful Lives as they are registered permanently, the agreements not having a maturing date.

The useful lives of the Intangible Assets remain unchanged from the previous year.

Amortisation is charged on a straight-line basis over the Intangible Assets' useful lives.

9.3 Impairment of Intangible Assets

Impairment Losses on Intangible Assets to the amount of R0 (2015: R1 735) has been recognised in operating surplus and are included in Impairment Losses in the Statement of Financial Performance as indicated in Note 33.

The amount disclosed for impairment losses on Intangible Assets does not include individually material amounts of impairment losses. However, cumulative impairment losses for the following significant account balances are included therein:

Computer Software	-	1 735
Total Impairment of Intangible Assets	-	1 735

Impairment losses on Intangible Assets exist predominantly due to technological obsolescence of information technology equipment. The remainder of impaired items of Intangible Assets have been physically damaged, stolen or have become redundant and idle.

The recoverable service amount of the relevant assets of Intangible Assets has been determined on the basis of their fair value less cost to sell. The asset has been fully impaired as it became totally redundant and idle, and therefore had a fair value of R0.

MIER LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

	2016 R	2015 R
10 INVESTMENT PROPERTY		
At Fair Value	<u>371 696 634</u>	<u>351 994 998</u>
The movement in Investment Property is reconciled as follows:		
Carrying values at 1 July	351 994 998	336 120 474
Fair Value	351 994 998	336 120 474
Gains/Losses from Fair Value Adjustments	24 641 491	15 874 523
Disposals during the Year:	(4 939 855)	-
Fair Value	(4 939 855)	-
Carrying values at 30 June	371 696 634	351 994 998
Fair Value	371 696 634	351 994 998
Estimated Fair Value of Investment Property at 30 June	<u>371 696 634</u>	<u>351 994 998</u>

Investment Property has been restated to correctly disclose the properties held as Investment Property in terms of GRAP 16. Refer to Note 39 on "Correction of Error" for details of the restatement.

Revenue and Expenditure disclosed in the Statement of Financial Performance include the following:
Rental Revenue earned from Investment Property 863 433 520 228

All of the municipality's Investment Property is held under freehold interests and no Investment Property had been pledged as security for any liabilities of the municipality.

There are no contractual obligations on Investment Property.

Refer to Appendix "B" for more detail on Investment Property.

10.1 Investment Property carried at Fair Value

The municipality's Investment Property is valued annually at 30 June at fair value by DCR Consultants, an independent, professionally qualified, valuer. The valuation, which conforms to International Valuation Standards, is arrived at by reference to market evidence of transaction prices for similar properties.

The following assumptions were used:
Discount Rate 6.55% 4.51%

10.2 Impairment of Investment Property

No impairment losses have been recognised on Investment Property of the municipality at the reporting date.

11 HERITAGE ASSETS

At Cost less Accumulated Impairment Losses	<u>200 475</u>	<u>200 475</u>
Total	200 475	200 475

The movement in Heritage Assets is reconciled as follows:

	Cultural Buildings	Total
Carrying values at 01 July 2015	200 475	200 475
Cost	200 475	200 475
Acquisitions	-	-
Carrying values at 30 June 2016	200 475	200 475
Cost	200 475	200 475
	Cultural Buildings	Total
Carrying values at 01 July 2014	-	-
Cost	-	-
Acquisitions	200 475	200 475
Carrying values at 30 June 2015	200 475	200 475
Cost	200 475	200 475

Heritage Assets have been restated to correctly classify amounts held for Heritage Assets in terms of GRAP 103, previously not recognized. Refer to Note 39 on "Change in Accounting Policy" for details of the restatement.

All of the municipality's Heritage Assets are held under freehold interests and no Heritage Assets had been pledged as security for any liabilities of the municipality.

No restrictions apply to any of the Heritage Assets of the municipality.

Refer to Appendix "B" for more detail on Intangible Assets.

11.1 Impairment of Heritage Assets

No impairment losses have been recognised on Heritage Assets of the municipality at the reporting date.

13.3 Heritage Assets measured after recognition using the Revaluation Model

The municipality's Heritage Assets are accounted for according to the cost model and therefore no fair value has been determined.

12 CONSUMER DEPOSITS

Electricity	123 600	123 500
Total Consumer Deposits	<u>123 600</u>	<u>123 500</u>
Guarantees held in lieu of Water Deposits	<u>123 600</u>	<u>123 500</u>

Consumer Deposits are paid by consumers on application for new water connections. The deposits are repaid when the water and electricity connections are terminated. In cases where consumers default on their accounts, the municipality can utilise the deposit as payment for the outstanding account.

No interest is paid or accrued on Consumer Deposits held.

The management of the municipality is of the opinion that the carrying value of Consumer Deposits approximates their fair values.

The fair value of Consumer Deposits was determined after considering the standard terms and conditions of agreements entered into between the municipality and its consumers.

MIER LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

	2016 R	2015 R
13 PROVISIONS		
Current Portion of Long-term Service Liability (See Note 20)	20 981	54 038
Current Portion of Non-Current Provisions (See Note 21):	6 343 998	6 135 356
Quarries	2 888 696	2 711 118
Rehabilitation of Land-fill Sites	3 455 302	3 424 238
Total Provisions	6 364 979	6 189 394

The movement in provisions are reconciled as follows:

Current Portion of Non-Current Provisions:

	Quarries R	Land-fill Sites R	Long-term Service R
30 June 2016			
Balance at beginning of year	2 711 118	3 424 238	54 038
Transfer from non-current	177 578	31 064	(33 057)
Balance at end of year	2 888 696	3 455 302	20 981

MIER LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

	2016 R	2015 R
13 PROVISIONS (Continued)		
	Quarries	Land-fill Sites
	R	R
30 June 2015		Long-term Service
		R
Balance at beginning of year	2 594 123	2 722 831
Transfer from non-current	116 995	701 407
Balance at end of year	2 711 118	3 424 238
		28 484
		25 554
		54 038

14 PAYABLES FROM EXCHANGE TRANSACTIONS

Trade Creditors	9 715 497	9 137 010
Retentions	428 260	686 465
Other Creditors	578 529	434 599
Total Payables	10 722 285	10 258 073

Payables from Exchange Transactions have been restated to correct the normal payables. Refer to Note 39 on "Correction of Error" for details of the restatement.

The average credit period on purchases is 297 (2015: 237) days, as opposed to 30 days from the receipt of the invoice as determined by the MFMA.

The municipality did default on payment of its Creditors. However, no terms for payment have been re-negotiated by the municipality.

The management of the municipality is of the opinion that the carrying value of Creditors approximates their fair values.

The fair value of Creditors was determined after considering the standard terms and conditions of agreements entered into between the municipality and other parties.

15 PAYABLES FROM NON-EXCHANGE TRANSACTIONS

Staff Bonuses	234 138	183 649
Staff Leave	272 269	249 690
Sundry Deposits	17 445	280 741
Total Payables	523 851	714 080

Staff Leave accrues to the staff of the municipality on an annual basis, subject to certain conditions. The provision is an estimate of the amount due at the reporting date.

No credit period exists for Payables from Non-exchange Transactions, neither has any credit period been arranged. No interest is charged on outstanding amounts.

The municipality did default on payment of its Creditors. However, no terms for payment have been re-negotiated by the municipality.

The management of the municipality is of the opinion that the carrying value of Creditors approximates their fair values.

The fair value of Creditors was determined after considering the standard terms and conditions of agreements entered into between the municipality and other parties.

MIER LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

	2016 R	2015 R
16 UNSPENT CONDITIONAL GRANTS AND RECEIPTS		
16.1 Conditional Grants from Government	6 563 252	1 404 290
National Government Grants	3 526 524	940 068
Provincial Government Grants	3 036 728	464 222

The Unspent Conditional Grants and Receipts are invested in investment accounts until utilised.

See Note 24 for the reconciliation of Grants from Government. The Unspent Grants are cash backed by term deposits. The municipality complied with the conditions attached to all grants received to the extent of revenue recognised. No grants were withheld.

Refer to Appendix "F" for more detail on Conditional Grants.

17 VAT PAYABLE

Vat Payable.	318 476	-
Vat Payable	318 476	-

Vat is payable on the receipts basis. Only once payment is received from debtors, VAT is paid over to SARS.

No interest is payable to SARS if the VAT is paid over timeously, but interest for late payments is charged according to SARS policies. The municipality has financial risk policies in place to ensure that payments are affected before the due date.

18 OPERATING LEASE LIABILITIES

Operating Leases are recognised on the straight-line basis as per the requirements of GRAP 13. In respect of Non-cancellable Operating Leases the following liabilities have been recognised:

Balance at beginning of year	28 973	73 118
Operating Lease expenses recorded	(54 609)	(44 146)
Total Operating Lease Liabilities/(Asset)	(25 636)	28 973

18.1 Leasing Arrangements

The Municipality as Lessee:

Operating Leases relate to Property owned by the municipality with lease terms of between 2 to 20 (2015: 2 to 20) years, with an option to extend. All operating lease contracts contain market review clauses in the event that the lessee exercises its option to renew. The lessee does not have an option to purchase the property at the expiry of the lease period.

18.2 Amounts payable under Operating Leases

At the Reporting Date the municipality had outstanding commitments under Non-cancellable Operating Leases for Property, Plant and Equipment, which fall due as follows:

Other Equipment:	658 765	684 401
Up to 1 year	89 679	25 636
2 to 5 years	515 089	504 692
More than 5 years	53 996	154 073
Total Operating Lease Arrangements	658 765	684 401

No restrictions have been imposed on the municipality in terms of the operating lease agreements.

MIER LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

	2016 R	2015 R
19 LONG-TERM LIABILITIES		
Annuity Loans	741 200	915 001
Finance Lease Liabilities	-	19 519
Sub-total	741 200	934 519
Less: Current Portion transferred to Current Liabilities:-	237 949	934 519
Annuity Loans	237 949	915 001
Finance Lease Liabilities	-	19 519
Total Long-term Liabilities (Neither past due, nor impaired)	503 251	-

19.1 Summary of Arrangements

Annuity Loans are repaid over periods varying from 2 to 11 (2015: 2 to 11) years and at interest rates varying from 5,00% to 7,00% (2015: 5,00% to 7,00%) per annum. The Annuity Loans are not secured.

Finance Lease Liabilities relates to Office Equipment with lease terms of 0 (2015: 5) years. The effective interest rate on Finance Leases is 9,00% (2015: 9,00%). Capitalised Lease Liabilities are secured over the items of equipment leased.

The management of the municipality is of the opinion that the carrying value of Long-term Liabilities recorded at amortised cost in the Annual Financial Statements approximate their fair values.

The fair value of Long-term Liabilities was determined after considering the standard terms and conditions of agreements entered into between the municipality and the relevant financing institutions.

In terms of the signed DBSA loan agreement Section 11.1 the municipality cede, to DBSA, security in the form of a cession over its income stream, covering the instalments outstanding, plus interest and collection charges outstanding, at any time during the term of the loan.

Refer to Appendix "A" for more detail on Long-term Liabilities.

19.2 Obligations under Finance Lease Liabilities

The Municipality as Lessee:

Finance Leases relate to Property, Plant and Equipment with lease terms not more than 5 years (2015: 5 years). The effective interest rate on Finance Leases is 9,00% (2015: 9,00%).

The municipality does not have an option to purchase the leased Property, Plant and Equipment at the conclusion of the lease agreements. The municipality's obligations under Finance Leases are secured by the lessors' title to the leased assets.

The municipality's obligations under Finance Leases are secured by the lessors' title to the leased assets.

The obligations under Finance Leases are as follows:

	Minimum Lease Payments		Present Value of Minimum Lease Payments	
	2016 R	2015 R	2016 R	2015 R
Amounts payable under finance leases:				
Within one year	-	20 061	-	20 061
In the second to fifth years, inclusive	-	-	-	-
Over five years	-	-	-	-
	-	20 061	-	20 061
Less: Future Finance Obligations	-	542	-	542
Present Value of Minimum Lease Obligations	-	37 474	-	19 519
Less: Amounts due for settlement within 12 months (Current Portion)			-	19 519
Finance Lease Obligations due for settlement after 12 months (Non-current Portion)			-	-

MIER LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

	2016 R	2015 R
19 LONG-TERM LIABILITIES (Continued)		
The municipality has finance lease agreements for the following significant classes of assets:		
- Office Equipment		
Included in these classes are the following significant leases:		
(i) Different Computer Equipment	R 90 854	R 151 337
- Instalments are payable quarterly in advance		
- Average period outstanding	3 months	24 months
- Average effective interest rate	10.50%	10.50%
- Average quarterly instalment	R 8 495	R 8 495
20 EMPLOYEE BENEFIT LIABILITIES		
Long Service Awards Liability	274 236	210 396
Total Employee Benefit Liabilities	274 236	210 396
16.1 Long Service Awards Liability		
Balance at beginning of year	264 434	206 292
Current-service Cost	31 961	28 228
Interest Cost	18 313	17 620
Expenditure incurred	-	31 676
Actuarial (Gain)/Loss Recognised	34 547	9 102
Expected Employer Benefit Vestings	(54 038)	(28 484)
Balance at end of Year	295 217	264 434
Transfer to Current Provisions	(20 981)	(54 038)
Total Long Service Awards Liability	274 236	210 396
The municipality operates an unfunded defined benefit plan for all its employees. Under the plan, a Long-service Bonus Award is payable after 10 years of continuous service, and every 5 years of continuous service thereafter to 25 years, to employees. The provision is an estimate of the long-service based on historical staff turnover. No other long-service benefits are provided to employees.		
The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2016 by Mr C Weiss, Fellow of the Actuarial Society of South Africa. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.		
At year end, 43 (2013/14: 36) employees were eligible for Long-service Awards.		
The Current-service Cost for the year ending 30 June 2016 is estimated to be R31 961, whereas the cost for the ensuing year is estimated to be R28 228 (30 June 2015: R28 228 and R31 961 respectively).		
The principal assumptions used for the purposes of the actuarial valuations were as follows:		
Discount Rate	8.50%	7.70%
Cost Inflation Rate	7.16%	6.97%
Net Effective Discount Rate	1.25%	0.68%
Expected Retirement Age - Females	60	60
Expected Retirement Age - Males	60	60
Movements in the present value of the Defined Benefit Obligation were as follows:		
Balance at the beginning of the year	264 434	206 292
Current service costs	31 961	28 228
Interest cost	18 313	17 620
Benefits paid	-	31 676
Actuarial losses / (gains)	34 547	9 102
Transitional Liability Recognised	(54 038)	(28 484)
Total Recognised Benefit Liability	295 217	264 434

MIER LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

	2016 R	2015 R			
20 EMPLOYEE BENEFIT LIABILITIES (Continued)					
The amounts recognised in the Statement of Financial Position are as follows:					
Present value of fund obligations	295 217	264 434			
Unfunded Accrued Liability	295 217	264 434			
Total Benefit Liability	295 217	264 434			
The amounts recognised in the Statement of Financial Performance are as follows:					
Current service cost	31 961	28 228			
Interest cost	18 313	17 620			
Transitional Liability Recognised	(54 038)	(28 484)			
Actuarial losses / (gains)	34 547	40 778			
Total Post-retirement Benefit included in Employee Related Costs (Note 30)	30 783	58 142			
The history of experienced adjustments is as follows:					
	2016 R	2015 R	2014 R	2013 R	2012 R
Present Value of Defined Benefit Obligation	295 217	264 434	110 465	41 514	-
Deficit	295 217	264 434	110 465	41 514	-
In accordance with the transitional provisions for the amendments to IAS 19 Employee Benefits in December 2004, the disclosures above are determined prospectively from the 2009 reporting period.					
The effect of a 1% movement in the assumed rate of long service cost inflation is as follows:					
Increase:					
Effect on the aggregate of the current service cost and the interest cost				103 300	49 100
Effect on the defined benefit obligation				103 300	44 900
Decrease:					
Effect on the aggregate of the current service cost and the interest cost				98 300	42 900
Effect on the defined benefit obligation				98 300	46 900
The transitional Defined Benefit Liabilities for Long Service Awards have been recognised in the Annual Financial Statements of the municipality as at 30 June 2015 in terms of IAS 19, Employee Benefits, paragraph 155(a). The municipality has elected to recognise the full increase in this Defined Benefit Liability immediately, thus the full transitional liability have been recognised as at 30 June 2015.					
21 NON-CURRENT PROVISIONS					
Provision for Rehabilitation of Land-fill Sites and Quarries			12 198 033	11 612 750	
Total Non-current Provisions			12 198 033	11 612 750	
The movement in the Provision for Rehabilitation of Land-fill Sites is reconciled as follows:					
Balance at beginning of year			17 748 106	16 949 564	
Contributions to provision			793 925	798 542	
			18 542 031	17 748 106	
Transfer to current provisions			(6 343 998)	(6 135 356)	
Balance at end of year			12 198 033	11 612 750	

MIER LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

	2016 R	2015 R
21 NON-CURRENT PROVISIONS (Continued)		
	Quarries	Land-fill Sites
	R	R
30 June 2016		
Balance at beginning of year	2 711 118	15 036 988
Contributions to provision	177 578	616 346
	<u>2 888 696</u>	<u>15 653 335</u>
Transfer to current provisions	(2 888 696)	(3 455 302)
Balance at end of year	<u><u>-</u></u>	<u><u>12 198 033</u></u>
	Quarries	Land-fill Sites
	R	R
30 June 2015		
Balance at beginning of year	2 594 123	14 355 441
Contributions to provision	116 995	681 547
	<u>2 711 118</u>	<u>15 036 988</u>
Transfer to current provisions	(2 711 118)	(3 424 238)
Balance at end of year	<u><u>-</u></u>	<u><u>11 612 750</u></u>

21.1 Rehabilitation of Land-fill Sites and Quarries

In terms of the licencing of the landfill refuse site, the municipality will incur licensing and rehabilitation costs of R18 542 031 (2015: R17 748 106) to restore the sites at the end of its useful life, estimated to be in 2023. Provision has been made for the net present value of the future cost, using the average cost of borrowing interest rate.

The council will incur rehabilitation cost on its nine dumping/landfill sites over the period 2014/15 up to 2022/23. Provision has been made for the net present value of this cost.

	Proposed Rehabilitation		
Quarries	2015/16	2 888 696	2 711 118
Askham	2017/18	2 035 089	1 937 442
Groot Mier	2017/18	1 997 915	1 902 051
Philandersbron	2018/19	1 762 961	1 678 371
Swartkopdam	2018/19	1 545 521	1 471 364
Rietfontein (New)	2022/23	1 733 324	1 650 156
Welkom	2018/19	2 077 002	1 977 344
Ou Rietfontein	2013/14	1 772 767	1 772 767
Noenieput	2012/13	1 035 124	1 035 124
Noenieput(New)	2017/18	1 693 631	1 612 368
		<u><u>18 542 031</u></u>	<u><u>17 748 106</u></u>

22 ACCUMULATED SURPLUS

The Accumulated Surplus consists of the following Internal Funds and Reserves:

Accumulated Surplus / (Deficit) due to the results of Operations	495 023 030	476 129 330
Total Accumulated Surplus	<u><u>495 023 030</u></u>	<u><u>476 129 330</u></u>

Accumulated Surplus has been restated to correctly classify amounts held by the municipality. Refer to Note 39 "Correction of Error" for details of the restatements.

Refer to Statement of Changes in Net Assets for more detail and the movement on Accumulated Surplus.

MIER LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

			2016 R	2015 R
23 PROPERTY RATES				
	Property Valuations		Actual Levies	
	July 2016	July 2015		
Property Rates	914 195 700	831 087 000	1 390 161	1 490 192
Total Property Rates	914 195 700	831 087 000	1 390 161	1 490 192
Attributable to:				
Continuing Operations			1 390 161	1 490 192
			1 390 161	1 490 192

Property Rates are levied on the value of land and improvements, which valuation is performed every four years. The last valuation came into effect on 1 July 2008. A general valuation has been performed during the financial year and will be applied with effect 1 July 2014.

Interim valuations are processed annually to take into account changes in individual property values due to alterations and subdivisions.

An general rate is applied as follows to property valuations to determine property rates:

Residential Properties: 0.00800 c/R (2014/15: 0.00799 c/R)
Business Properties: 0.01200 c/R (2014/15: 0.01199 c/R)
Agricultural Properties: 0.00038 c/R (2014/15: 0.00062 c/R)
State Properties: 0.01200 c/R (2014/15: 0.01199 c/R)

The first R15 000 (2014/15: R15 000) of the valuation of all residential properties are exempted from the calculation of rates.

24 GOVERNMENT GRANTS AND SUBSIDIES

National Equitable Share	14 577 000	12 321 000
Operational Grants	14 577 000	12 321 000
Conditional Grants	14 269 399	19 739 974
National: EPWP - Bloodhound Project	48 434	779 764
National: FMG	1 764 415	1 662 638
National: MIG	8 961 843	13 449 283
National: MSIG	829 141	844 924
National: Department of Arts and Culture	564 859	321 299
National: Department of Housing	162 610	8 575
Provincial: Dept. Public Works (Nala)	617 274	1 415 568
Other Government: Other	-	158 712
Provincial: Dept. Economic Affairs	-	200 475
National: Department Public Works (DPW)	1 320 822	898 737
Total Government Grants and Subsidies	28 846 399	32 060 974
24.1 National: Equitable Share	14 577 000	11 016 000
Summary of Grant Transfers:		
Equitable Share - Operational Grants	14 577 000	12 521 475
Less: Conditional Grant - Conditions Met	(14 577 000)	(12 321 000)
Total Transfers	-	200 475

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members. All registered indigents receive a monthly subsidy up to R166 (2015: R156), based on the monthly billing, towards the consumer account, which subsidy is determined annually by council. All residential households receive 6 kl water and 50 kWh electricity (indigents only) free every month. No funds have been withheld.

MIER LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

	2016 R	2015 R
24 GOVERNMENT GRANTS AND SUBSIDIES (Continued)		
Conditional Grants:		
24.2 National: Equitable Share		
Balance unspent at beginning of year	-	-
Current year receipts	14 577 000	11 016 000
Conditions met - transferred to Revenue: Operating Expenses	(14 577 000)	(11 016 000)
Other Adjustments/Refunds	-	-
Conditions still to be met - transferred to Liabilities (see Note 16)	<u>-</u>	<u>-</u>
In terms of the Constitution, this grant is used to subsidise the provision of basic services to community members. In terms of the allocation made by National Treasury the funds are also utilised to enable the municipality to execute its functions as the local authority.		
24.3 National: EPWP - Bloodhound Project		
Balance unspent at beginning of year	52 073	270 820
Current year receipts	-	483 080
Conditions met - transferred to Revenue: Operating Expenses	(48 434)	(779 764)
Other Adjustments/Refunds	-	77 936
Conditions still to be met - transferred to Liabilities (see Note 16)	<u>3 639</u>	<u>52 073</u>
This grant was received towards the Bloodhound Speed track project at Hakskeen pan. No funds have been withheld. These funds are being administrated by the District Municipality.		
24.4 National: FMG Grant		
Balance unspent at beginning of year	-	-
Current year receipts	1 875 000	1 800 000
Conditions met - transferred to Revenue: Operating Expenses	(1 764 415)	(1 662 638)
Conditions met - transferred to Revenue: VAT Portion Realised	(110 585)	(137 362)
Conditions still to be met - transferred to Liabilities (see Note 16)	<u>-</u>	<u>-</u>
The Financial Management Grant is paid by National Treasury to municipalities to help implement the financial management reforms required by the Municipal Finance Management Act (MFMA), 2003. No funds have been withheld.		
24.5 National: MIG Funds		
Balance unspent at beginning of year	484 722	6 920 107
Current year receipts	12 908 000	8 892 000
Conditions met - transferred to Revenue: Capital Expenses	(8 961 843)	(13 449 283)
Conditions met - transferred to Revenue: VAT Portion Realised	(1 254 658)	(1 878 102)
Conditions still to be met - transferred to Liabilities (see Note 16)	<u>3 176 221</u>	<u>484 722</u>
The Municipal Infrastructure Grant (MIG) was allocated for the construction of roads, sports fields and community halls as part of the upgrading of poor households, micro enterprises and social institutions; to provide for new, rehabilitation and upgrading of municipal infrastructure. No Funds has been with held		
In terms of MFMA Circular No 48 all conditional allocations (excluding interest earned thereon) that at year-end are not utilised, must revert back to the National Revenue Fund unless the relevant receiving officer can prove to the satisfaction of the National Treasury that the unspent allocation is committed to identifiable projects. Management reports that at year end the municipality had applied to National Treasury for a roll forward of all unspent conditional grants not committed to identifiable projects. National Treasury has, subsequent to year-end, approved the roll-over.		

MIER LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

	2016 R	2015 R
24 GOVERNMENT GRANTS AND SUBSIDIES (Continued)		
24.6 National: MSIG Funds		
Balance unspent at beginning of year	-	-
Current year receipts	930 000	934 000
Conditions met - transferred to Revenue: Operating Expenses	(829 141)	(844 924)
Conditions met - transferred to Revenue: VAT Portion Realised	(100 859)	(89 076)
Conditions still to be met - transferred to Liabilities (see Note 16)	<u>-</u>	<u>-</u>
The Municipal Systems Improvement Grant is allocated to municipalities to assist in building in-house capacity to perform their functions and to improve and stabilise municipal systems. No funds have been withheld.		
24.7 National: Department Water Affairs (DWA)		
Balance unspent at beginning of year	4 039	4 344
Conditions met - transferred to Revenue: Operating Expenses	-	-
Conditions still to be met - transferred to Liabilities (see Note 16)	<u>4 039</u>	<u>4 039</u>
This grant was used for the operation and maintenance of sewerage and water schemes transferred from DWA to the municipality, the refurbishment of water infrastructure. No funds have been withheld.		
24.8 National: Department of Arts and Culture		
Balance unspent at beginning of year	236 319	70 514
Current year receipts	686 000	489 000
Conditions met - transferred to Revenue: Operating Expenses	(564 859)	(321 299)
Conditions met - transferred to Revenue: VAT Portion Realised	(15 140)	(1 896)
Conditions still to be met - transferred to Liabilities (see Note 16)	<u>342 320</u>	<u>236 319</u>
This grant was received for the building and maintenance of libraries in the district. No funds have been withheld.		
24.9 National: Department of Housing		
Balance unspent at beginning of year	162 610	172 386
Conditions met - transferred to Revenue: Operating Expenses	(162 610)	(8 575)
Conditions met - transferred to Revenue: VAT Portion Realised	-	(1 200)
Conditions still to be met - transferred to Liabilities (see Note 16)	<u>-</u>	<u>162 610</u>
No funds have been withheld.		
24.10 Provincial: Dept. Public Works (Nala)		
Balance unspent at beginning of year	-	1 415 568
Current year receipts	3 553 500	-
Conditions met - transferred to Revenue: Operating Expenses	(617 274)	(1 415 568)
Conditions still to be met - transferred to Liabilities (see Note 16)	<u>2 936 226</u>	<u>-</u>
No funds have been withheld.		

MIER LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

	2016 R	2015 R
24 GOVERNMENT GRANTS AND SUBSIDIES (Continued)		
24.11 Other Government: Other		
Balance unspent at beginning of year	-	-
Current year receipts	-	158 712
Conditions met - transferred to Revenue: Operating Expenses	-	(158 712)
Conditions still to be met - transferred to Liabilities (see Note 16)	-	-
	-	-
The municipality received funds from National Treasury that was paid towards the municipalities account with the Auditor General. The grant was utilised for this purpose. No funds have been withheld.		
24.12 National: Department Public Works (DPW)		
Balance unspent at beginning of year	464 222	379 814
Current year receipts	1 000 000	1 000 000
Conditions met - transferred to Revenue: Operating Expenses	(1 320 822)	(898 737)
Conditions met - transferred to Revenue: VAT Portion Realised	(42 897)	(16 855)
Conditions still to be met - transferred to Liabilities (see Note 16)	100 503	464 222
	-	-
No funds have been withheld.		
24.13 Provincial: Dept. Economic Affairs		
Balance unspent at beginning of year	-	-
Current year receipts	-	200 475
Conditions met - transferred to Revenue: Operating Expenses	-	(200 475)
Conditions met - transferred to Revenue: VAT Portion Realised	-	-
Conditions still to be met - transferred to Liabilities (see Note 16)	-	-
	-	-
No funds have been withheld.		
24.14 Changes in levels of Government Grants		
Based on the allocations set out in the Division of Revenue Act, (Act No 2 of 2016), government grant funding is expected to increase over the forthcoming three financial years.		
25 PUBLIC CONTRIBUTIONS AND DONATIONS		
Other Donations	105 000	1 023 376
Total Public Contributions and Donations	105 000	1 023 376
During 2016 Mier Municipality joined the GTAG program from National Treasury which funded the preparation of the fixed asset register. After the project was completed the NT donated all the scanning devices and equipment to the municipality that was used during the verification. No funds have been withheld.		
In 2015 the Municipality received a bakkie from Public Works to provide municipal services. Furthermore, the municipality received a sewerage truck and Caseware software from Assmang Khumani Iron Ore Mine. The Municipality also received R21 000 (2015: R6 000) from 5 different contractors that was used for the Municipalities yearend function. The donations were utilised for this purpose. No funds have been withheld.		
26 SERVICE CHARGES		
Sale of Water	912 962	900 853
Refuse Removal	1 143 323	1 028 503
Sewerage and Sanitation Charges	839 893	750 762
Total Service Charges	2 896 179	2 680 118
The amounts disclosed above for revenue from Service Charges are in respect of services rendered which are billed to the consumers on a monthly basis according to approved tariffs.		
27 RENTAL OF FACILITIES AND EQUIPMENT		
Rental Revenue from Investment Property	696 549	624 622
Rental Revenue from Buildings	24 153	19 500
Rental Revenue from Halls	54 973	40 586
Rental Revenue from Land	312 722	236 883
Rental Revenue from Other Facilities	4 686	2 117
Total Rental of Facilities and Equipment	1 093 082	923 708
Rental revenue earned on Facilities and Equipment is in respect of Non-financial Assets rented out.		

MIER LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

	2016 R	2015 R
28 INTEREST EARNED		
External Investments:		
Investments	284 020	463 329
Total Interest Earned	284 020	463 329

Interest Earned on Financial Assets, analysed by category of asset, is as follows:

Available-for-Sale Financial Assets	284 020	463 329
	284 020	463 329

29 OTHER REVENUE

IXAUS LODGE Revenue	30 400	-
Prints	810	609
Sundry Income	142 346	55 068
Pulai Profit Share	87 665	-
Telephone Cost Recovered	1 844	1 812
Tender Documents	5 010	17 248
Vat Own Income on Grants	1 524 139	2 530 742
Total Other Revenue	1 792 215	2 605 480

The amounts disclosed above for Other Revenue are in respect of services, other than described in Notes 23 to 28, rendered which are billed to or paid for by the users as the services are required according to approved tariffs.

30 EMPLOYEE RELATED COSTS

Employee Related Costs - Salaries and Wages	9 560 662	7 649 712
Basic Salaries and Wages	8 887 922	7 110 571
Leave Encashed	-	8 650
Service Bonuses	672 740	530 492
Employee Related Costs - Contributions for UIF, Pensions and Medical Aids	1 477 377	1 227 954
Medical	186 581	151 800
Pension	1 129 055	927 654
Skills Development Levy	90 346	64 413
UIF	71 395	84 087
Travel, Motor Car, Accommodation, Subsistence and Other Allowances	690 151	370 722
Allowances	690 151	370 722
Housing Benefits and Allowances	42 700	58 071
Defined Benefit Plan Expense:	30 783	58 142
Current Service Cost	(22 077)	31 420
Interest Cost	18 313	17 620
Net Actuarial (gains)/losses recognised	34 547	9 102
Total Employee Related Costs	11 801 672	9 364 601

No advances were made to employees.

Remuneration of Section 57 Employees:

Remuneration of the Municipal Manager

Annual Remuneration	440 000	480 000
Company Contributions to UIF, Medical and Pension Funds	6 704	1 785
Total	446 704	481 785

The post was vacant in 2014 and being filled by Acting MM from Siyanda District Municipality

Remuneration of the Chief Financial Officer

Annual Remuneration	239 663	203 465
Annual Bonus	20 977	16 955
Car and Other Allowances	162 568	135 529
Company Contributions to UIF, Medical and Pension Funds	6 704	4 974
Total	429 912	360 922

MIER LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

	2016 R	2015 R
30 EMPLOYEE RELATED COSTS (Continued)		
<i>Remuneration of the Manager: Corporate Manager</i>		
Annual Remuneration	239 663	203 465
Annual Bonus	20 977	16 955
Car and Other Allowances	162 568	135 529
Company Contributions to UIF, Medical and Pension Funds	6 704	4 974
Total	429 912	360 922
<i>Remuneration of the Manager: Technical Services</i>		
Annual Remuneration	239 663	203 465
Annual Bonus	20 977	16 955
Car and Other Allowances	162 568	135 529
Company Contributions to UIF, Medical and Pension Funds	6 704	4 974
Total	429 912	360 922
<i>Remuneration of the Manager: Strategic Manager</i>		
Annual Remuneration	239 663	203 465
Annual Bonus	20 977	16 955
Car and Other Allowances	162 568	135 529
Company Contributions to UIF, Medical and Pension Funds	6 704	4 974
Total	429 912	360 922
<i>Remuneration of the Manager: Community Services</i>		
Annual Remuneration	239 663	203 698
Annual Bonus	20 977	4 239
Car and Other Allowances	100 374	82 929
Company Contributions to UIF, Medical and Pension Funds	6 228	1 689
Total	367 243	292 555
31 REMUNERATION OF COUNCILLORS		
Mayor	515 944	566 995
Councillors	1 000 793	1 043 151
Other Allowances (Cellular Phones, Housing, Transport, etc)	631 578	536 952
Telephone Allowance	174 004	139 404
Travelling Allowance	457 574	397 548
Total Councillors' Remuneration	2 148 316	2 147 099
Remuneration of Councillors:		
<i>In-kind Benefits</i>		
The Councillors occupying the position of Mayor of the municipality serve in a full-time capacity. Each of these Councillors are provided with office accommodation and secretarial support at the expense of the municipality in order to enable them to perform their official duties.		
32 DEPRECIATION AND AMORTISATION		
Depreciation: Property, Plant and Equipment	5 890 612	6 935 580
Amortisation: Intangible Assets	55 287	26 076
Total Depreciation and Amortisation	5 945 899	6 961 655
<i>Depreciation and Amortisation</i> have been restated to correctly disclose. Refer to Note 39 on "Correction of Error" for details of the restatement.		

MIER LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

	2016 R	2015 R
33 IMPAIRMENT LOSSES		
<i>33.1 Impairment Losses on Fixed Assets</i>		
Impairment Losses Recognised:	-	74 138
Property, Plant and Equipment	-	72 403
Intangible Assets	-	1 735
	<u>-</u>	<u>74 138</u>
<i>33.2 Impairment Losses on Financial Assets</i>		
Impairment Losses Recognised:	5 218 240	622 661
Receivables from Exchange Transactions	3 788 970	355 595
Receivables from Non-exchange Transactions	1 429 271	267 067
	<u>5 218 240</u>	<u>622 661</u>
Total Impairment Losses	<u>5 218 240</u>	<u>696 799</u>
34 REPAIRS AND MAINTENANCE		
Land and Buildings	180 291	1 041 620
Infrastructure - Road Transport	-	30 000
Infrastructure - Water	46 169	217 507
Other Assets	453 139	647 564
Total Repairs and Maintenance	<u>679 599</u>	<u>1 936 691</u>
35 FINANCE COSTS		
Finance Leases	542	2 171
Loans and Payables at amortised cost	40 939	66 712
Total Interest Paid on External Borrowings	<u>41 481</u>	<u>68 883</u>

MIER LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

	2016 R	2015 R
36 GENERAL EXPENSES		
Included in General Expenses are the following:		
Advertising	38 118	43 218
Audit Fees	936 040	838 423
Bank Charges	74 563	59 592
Chemicals & Poison	-	16 250
Cleaning Material	71 693	37 450
Electricity	490 588	719 465
Entertainment	58 029	42 114
Expenditure Incurred From EPWP Grant	665 709	2 116 595
Expenditure Incurred From MSIG	953 916	1 122 956
Fuel And Oil	496 010	393 027
General Expenses	2 264 750	1 937 259
Indigent Support	1 056 416	851 021
Insurance	262 872	205 190
Landfill Site Costs	793 925	798 542
Library Costs	20 991	17 792
Licenses	32 770	27 423
Low Cost Housing Support	-	8 575
Membership Fees	517 652	531 397
Postage & Telegrams	22 182	2 579
Printing And Stationary	131 490	54 869
System Support	11 664	199 151
Telephone Cost	64 890	64 467
Training	74 464	128 434
Travelling And Subsistence	2 240 650	1 891 064
Uniforms & Protective Clothing	441	17 551
Total General Expenses	11 279 821	12 124 406
36.1 Material Losses	37 838	-
Distribution Losses:		
Water Losses	37 838	-
No other extra-ordinary expenses were incurred.		
37 OTHER GAINS AND LOSSES		
Change in Fair Value of Investment Property	(24 641 491)	(15 874 523)
Net Other Gains and Losses	(24 641 491)	(15 874 523)

MIER LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

	2016 R	2015 R
38 GAINS / LOSSES ON WRITE OFF OF CAPITAL ASSETS		
Losses on write off of Assets	5 039 819	91 894
Total Gains / Losses on Disposal of Capital Assets	5 039 819	91 894

39 CORRECTION OF ERROR

Corrections were made during the previous financial years. Details of the corrections are described below:

Details of the appropriations are as follows:

Statement of Financial Position:

Inventory	43
VAT Payable	18 233
Property, Plant and Equipment	(98 951 587)
Intangible Assets	8 738
Investment Property	338 308 598
Heritage Assets	200 475
Creditors	(750 650)
Non-current Provisions	(2 711 118)
Accumulated Surplus / (Deficit) - Prior Year Adjustments	(219 307 993)
Accumulated Surplus / (Deficit) - (Surplus) / Deficit for the Year	(16 814 739)
	<u>-</u>

Statement of Financial Performance:

Government Grants and Subsidies Received	(200 475)
Other gains and (losses) on continued operations	(16 649 580)
Remuneration of Councillors	283 513
Depreciation and Amortisation	(395 064)
Repairs and Maintenance	63 182
General Expenses	83 685
	<u>(16 814 739)</u>

39.1 Reclassification of Statement of Financial Performance:

No prior year figures of Revenue Classes have been restated to correctly classify the nature of Revenue of the municipality.

39.2 Reclassification of Statement of Financial Performance:

No prior year figures of Asset or Liability Classes have been restated to correctly classify the nature of Revenue of the municipality.

MIER LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

	2016 R	2015 R
39 CORRECTION OF ERROR (Continued)		
<u>39.3 Misstatement of Creditors</u>		
Management identified these creditors that was not included in the 2014 and 2015 provision		
The effect of the Correction of Error is as follows:		
Statement of Financial Position:		
(Increase) / decrease in Accumulated Surplus	87 529	48 494.10
(Increase) / decrease VAT Payable	18 233	18 233.20
(Increase) / decrease in Creditors	(105 762)	(105 762)
Statement of Financial Performance:		
Increase / (decrease) in General Expenses	-	(24 147)
Increase / (decrease) in Repairs and Maintenance	-	63 182
	-	-
<u>39.4 Misstatement of Intangible Assets</u>		
Management identified that the donated software's cost price was not accounted for correctly		
The effect of the Correction of Error is as follows:		
Statement of Financial Position:		
(Increase) / decrease in Accumulated Surplus	(9 120)	-
Increase / (decrease) in Intangible Assets	9 120	9 120
Statement of Financial Performance:		
Increase / (decrease) in General Expenses	-	(9 120)
	-	-
<u>39.5 Misstatement of Creditors and Remuneration of Councillors</u>		
Management made a back up to the municipalities councillors for the previous two financial years, but did not include these amounts under accruals		
The effect of the Correction of Error is as follows:		
Statement of Financial Position:		
(Increase) / decrease in Accumulated Surplus	551 455	267 941.65
(Increase) / decrease in Creditors	(551 455)	(551 455)
Statement of Financial Performance:		
Increase / (decrease) in Remuneration of Councillors	-	283 513
	-	-
<u>39.6 Misstatement of Property, Plant and Equipment, Investment Property, Heritage Assets, Intangible Assets, Inventory, Creditors, Non-current Provisions, Government Grants and Subsidies Received, Depreciation and Amortisation, General Expenses and Other gains and (losses) on continued operations</u>		
During the 2016 financial year, management performed a full asset verification of all the asset classes. It was found that the opening balance was not correct. This correction was done retrospectively.		
The effect of the Correction of Error is as follows:		
Statement of Financial Position:		
(Increase) / decrease in Accumulated Surplus	(247 130 059)	(229 798 113)
Increase / (decrease) in Investment Property	348 174 104	348 174 104
(Increase) / decrease in Creditors	(93 433)	(93 433)
(Increase) / decrease in Non-current Provisions	(2 711 118)	(2 711 118)
Increase / (decrease) in Intangible Assets	(382)	(382)
Increase / (decrease) in Inventory	512 000	512 000
Increase / (decrease) in Heritage Assets	200 475	200 475
Increase / (decrease) in Property, Plant and Equipment	(98 951 587)	(98 951 587)
Statement of Financial Performance:		
(Increase) / decrease in Profit/(Loss) on Government Grants and Subsidies	-	(200 475)
(Increase) / decrease in Other gains and (losses) on continued operations	-	(16 853 402)
Increase / (decrease) in General Expenses	-	116 995
Increase / (decrease) in Depreciation and Amortisation	-	(395 064)
	-	-
<u>36.7 Misstatement of Inventory</u>		
Management were able to determine the water inventory for the 2015 financial year, this was adjusted accordingly in the previous financial year. Furthermore, the amount of R512 000 was corrected that is related to properties held for sale which was incorrectly disclosed.		
The effect of the Correction of Error is as follows:		
Statement of Financial Position:		
(Increase) / decrease in Accumulated Surplus	511 957	512 000
Increase / (decrease) in Inventory	(511 957)	(511 957)
Statement of Financial Performance:		
Increase / (decrease) in General Expenses	-	(43)
	-	-
<u>36.8 Misstatement of Consumer Deposits</u>		
Management were able to determine the consumer deposits that was levied in the 2015 financial year		
The effect of the Correction of Error is as follows:		
Statement of Financial Position:		
(Increase) / decrease in Consumer Deposits	(123 500)	(123 500)
Increase / (decrease) in Trade Receivables from Exchange Transactions	123 500	123 500
	-	-

MIER LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

	2016 R	2015 R
40 CHANGE IN ACCOUNTING ESTIMATES		
40.1 Depreciation Expenditure:		
The residual values, estimated useful lives and depreciation method were reviewed at 30 June 2016. Adjustments to the residual values and useful lives affect the amount of depreciation for the current year and is expected to affect future periods as well. The adjustments are as follows:		
Increase / (Decrease) in Depreciation due to adjustments to Useful Lives of PPE	(1 310 032)	(398 996)
Increase / (Decrease) in Depreciation of PPE	<u>(1 310 032)</u>	<u>(398 996)</u>
Depreciation as previously stated		-
Adjustment due to Change in Accounting Estimate	(1 310 032)	(398 996)
Depreciation as per Note 32	<u>(1 310 032)</u>	<u>(398 996)</u>
41 CASH GENERATED BY OPERATIONS		
Surplus / (Deficit) for the Year	18 893 700	23 729 670
Adjustment for:		
Depreciation and Amortisation	5 945 899	6 961 656
Impairment Losses on Property, Plant and Equipment	-	74 138
Losses / (Gains) on Disposal of Property, Plant and Equipment	5 532 364	91 894
Fair Value Adjustment on Investment Property	(24 641 491)	(15 874 524)
Contribution to Post-retirement Health Care Benefits	63 840	32 588
Contribution to Provisions - Current	175 585	726 961
Contribution to Provisions - Non-current	<u>585 283</u>	<u>(19 860)</u>
Operating surplus before working capital changes	<u>6 555 179</u>	<u>15 722 522</u>
Decrease/(Increase) in Inventories	(20 643)	(238 306)
Decrease/(Increase) in Receivables from Exchange Transactions	341 897	(1 389 971)
Decrease/(Increase) in Receivables from Non-exchange Transactions	(3 235 290)	1 744 279
Decrease/(Increase) in VAT Receivable	3 220 273	(1 322 963)
Decrease / (Increase) in Operating Lease Liabilities	-	(44 146)
Decrease/(Increase) in Operating Lease Assets	(54 609)	-
Increase/(Decrease) in Consumer Deposits	123 600	-
Increase/(Decrease) in Payables from Exchange Transactions	464 213	1 108 153
Increase/(Decrease) in Payables from Non-exchange Transactions	227 304	316 127
Increase/(Decrease) in Conditional Grants and Receipts	<u>5 158 961</u>	<u>(7 829 262)</u>
Cash generated by / (utilised in) Operations	<u>12 780 886</u>	<u>8 066 433</u>
42 NON-CASH INVESTING AND FINANCING TRANSACTIONS		
The municipality did not enter into any Non-cash Investing and Financing Transactions during the 2015/16 financial year.		
43 FINANCING FACILITIES		
The municipality did not have any Financing Facilities available at any time during the two financial years.		

MIER LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

	2016 R	2015 R
44 UTILISATION OF LONG-TERM LIABILITIES RECONCILIATION		
Long-term Liabilities (See Note 19)	741 200	934 519
Used to finance Property, Plant and Equipment - at cost	(741 200)	(934 519)
Sub-total	-	-
Cash set aside for the Repayment of Long-term Liabilities (See Notes 6)	-	-
Cash invested for Repayment of Long-term Liabilities	-	-

Long-term Liabilities have been utilised in accordance with the Municipal Finance Management Act. Sufficient cash is available to ensure that Long-term Liabilities can be repaid on the scheduled redemption dates.

45 UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED

45.1 Unauthorised Expenditure

Reconciliation of Unauthorised Expenditure:

Opening balance	59 020 692	50 751 233
Unauthorised Expenditure current year	11 593 555	8 269 459
Unauthorised Expenditure awaiting authorisation	70 614 246	59 020 692

Incident	Disciplinary Steps / Criminal Proceedings
<i>Budgeted votes exceeded:-</i>	<i>To be condoned by Council</i>
- Executive and Council - R222 422 (2015: R342 013)	
- Budget and Treasury Office - R4 733 556 (2015: R1 740 927)	
- Community and Social Services - R1 304 835 (2015: R0)	
- Waste Management - R1 534 637 (2015: R3 818 395)	
- Waste Water Management - R3 798 104 (2015: R835 582)	

45.2 Fruitless and Wasteful Expenditure

Reconciliation of Fruitless and Wasteful expenditure:

Opening balance	1 447 784	1 061 280
Fruitless and Wasteful Expenditure current year	476 354	386 504
Fruitless and Wasteful Expenditure awaiting condonement	1 924 138	1 447 784

Incident	Disciplinary Steps / Criminal Proceedings
Goods paid for, not received - R0 (2015: R0)	None
Interest on late payment - Various Creditors - R476 354 (2015: R386 504)	None

45.3 Irregular Expenditure

Reconciliation of Irregular Expenditure:

Opening balance	50 461 610	26 908 898
Irregular Expenditure current year	5 032 763	23 552 712
Irregular Expenditure awaiting condonement	55 494 373	50 461 610

Incident	Disciplinary Steps / Criminal Proceedings
Expenditure contrary to SCM Procedures - R5 032 763 (2015: R23)	Under Investigation. To be submitted to Council for condonement.
<i>Deviations from SCM procedures not regarded as Irregular Expenditure</i>	<i>During the year deviations amounting to R1 298 519 (2015: R0) were identified relating less than the minimum quotations obtained. These items were identified in the current year after a detailed investigation by management. The register containing the detail of the total balance is available for inspection, based on the discretion of management. No disciplinary steps have been taken to date and no formal investigation into the matters have been launched. A report relating the deviations was adopted by the council and approved by the Municipal Manager.</i>

The municipality did not have adequate time during the audit to quantify the full extent of irregular expenditure that was noted during the audit process

46 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT

46.1 Contributions to organised local government - SALGA

Opening Balance	1 910 000	1 450 000
Council Subscriptions	500 000	510 000
TASK Job Evaluation	5 578	-
Amount Paid - previous years	-	(50 000)
Balance Unpaid (included in Creditors)	2 415 578	1 910 000

MIER LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

	2016 R	2015 R
46 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT (Continued)		
46.2 Audit Fees		
Opening Balance	4 225 075	3 291 885
Council Subscriptions - Oudit Fees	1 377 763	1 816 215
Council Subscriptions - VAT	192 887	223 044
Council Subscriptions - Interest	332 107	239 391
Credit Notes Issued	(601 556)	(863 771)
Amount Paid - previous years	-	(99 934)
Amount Paid - National Treasury - previous years	-	(381 756)
Balance Unpaid (included in Creditors)	5 526 275	4 225 075

The balance unpaid represents the audit fee for the annual audit done by the Auditor General for the past four years.

46.3 VAT

The net of VAT input payables and VAT output receivables are shown in Note 5. All VAT returns have been submitted by the due date throughout the year.

46.4 PAYE, Skills Development Levy and UIF

Opening Balance	173 077	68 438
Current year Payroll Deductions	1 910 476	1 212 286
Amount Paid - current year	(1 661 660)	(1 039 209)
Amount Paid - previous years	(95 928)	(68 438)
Balance Unpaid (included in Creditors)	325 965	173 077

The balance represents PAYE, SDL and UIF deducted from the June 2016 (June 2015) payroll. These amounts were paid during July 2016 (July 2015).

46.5 Pension and Medical Aid Deductions

Opening Balance	110 030	81 913
Current year Payroll Deductions and Council Contributions	1 465 470	1 244 594
Amount Paid - current year	(1 334 127)	(1 134 564)
Amount Paid - previous years	(91 006)	(81 913)
Balance Unpaid (included in Creditors)	150 367	110 030

The balance represents Pension and Medical Aid contributions deducted from employees and councillors, as well as the municipality's contributions to these funds.

46.6 Councillor's arrear Consumer Accounts

During the financial year under review no Councillor (present or past) was in arrear with the settlement of their municipal accounts.

The following Councillors had arrear accounts outstanding for more than 90 days as at:

	Total	Outstanding up to 90 days	Outstanding more than 90 days
30 June 2016			
Councillor Eiman M	257	257	-
Councillor Masikani S	(5 706)	(5 706)	-
Councillor Farao P	(1 283)	(1 283)	-
Councillor A Titus	(402)	(402)	-
Councillor M Joseph	(6 833)	(6 833)	-
Councillor PJJ Smith	276	276	-
Councillor Smith J	107	107	-
Total Councillor Arrear Consumer Accounts	(13 585)	(13 585)	-
30 June 2015			
Councillor Eiman M	(574)	(574)	-
Councillor Masikani S	(2 612)	(2 612)	-
Councillor Farao P	(2 689)	(2 689)	-
Councillor A Titus	(3 071)	(3 071)	-
Councillor M Joseph	(5 309)	(5 309)	-
Total Councillor Arrear Consumer Accounts	(14 255)	(14 255)	-

MIER LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

	2016 R	2015 R
46 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT (Continued)		
During the year the following Councillors had arrear accounts outstanding for more than 90 days:		
30 June 2016	Highest amount outstanding	Ageing
Councillor Eiman M	946	< 90 Days
Councillor PJJ Smith	328	< 90 Days
Councillor Masikani S	-	< 90 Days
Councillor Farao P	-	< 90 Days
Councillor Smith J	107	< 90 Days
Councillor A Titus	-	< 90 Days
Councillor M Joseph	-	< 90 Days
30 June 2015	Highest amount outstanding	Ageing
Councillor Eiman M	-	< 90 Days
Councillor Masikani S	-	< 90 Days
Councillor Farao P	-	< 90 Days
Councillor A Titus	-	< 90 Days
Councillor M Joseph	-	< 90 Days

Councillors and/or management of the municipality have relationships with businesses as indicated below:

46.7 Bulk Water Losses in terms of Section 125 (2)(d)(i) of the MFMA

Water:

		Lost Units	Tariff	Value
30 June 2016	Unaccounted Water Losses	34 398	1.1000	37 838
30 June 2015	Unaccounted Water Losses	-	-	-

Water Losses occur due to *inter alia*, leakages, the tampering of meters, the incorrect ratios used on bulk meters, faulty meters and illegal water connections. The problem with tampered meters and illegal connections is an ongoing process, with regular action being taken against defaulters. Faulty meters and leakages are replaced/repared as soon as they are reported.

	2016 R	2015 R
Volumes in Kl/year:		
System Input Volume	129 526	-
Billed Consumption	95 128	-
Distribution Loss	34 398	-
Percentage Distribution Loss	26.56%	-

47 COMMITMENTS FOR EXPENDITURE

47.1 Capital Commitments

Commitments in respect of Capital Expenditure:

- Approved and Contracted for:-	13 959 365	6 408 192
Infrastructure	13 407 832	5 326 903
Other	551 533	1 081 289
- Approved but Not Yet Contracted for:-	458 713	
Infrastructure	458 713	
Total Capital Commitments	13 959 365	6 866 906
This expenditure will be financed from:		
Government Grants	13 959 365	6 866 906
	13 959 365	6 866 906

47.2 Lease Commitments

Finance Lease Liabilities and Non-cancellable Operating Lease Commitments are disclosed in Notes 18 and 19.

48 FINANCIAL INSTRUMENTS

48.1 Classification

FINANCIAL ASSETS:

In accordance with GRAP 104.13 the Financial Assets of the municipality are classified as follows:

<u>Financial Assets</u>	<u>Classification</u>		
Non-current Investments			
Receivables from Exchange Transactions			
Refuse	Amortised cost	389 076	567 223
Sewerage	Amortised cost	290 315	515 241
Water	Amortised cost	667 836	745 733
Other Receivables	Amortised cost	340 864	325 290
Receivables from Non-exchange Transactions			
Assessment Rates Debtors	Amortised cost	2 829 864	2 973 941
Sundry Debtors	Amortised cost	3 334 594	372 717

MIER LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

		2016 R	2015 R
48 FINANCIAL INSTRUMENTS (Continued)			
Cash and Cash Equivalents			
Notice Deposits	Amortised cost	3 308 632	976 952
Bank Balances	Amortised cost	52 814	43 223
Current Portion of Long-term Receivables			
		11 213 996	6 520 322
SUMMARY OF FINANCIAL ASSETS			
Financial Assets at Amortised Cost:			
Receivables from Exchange Transactions	Refuse	389 076	567 223
Receivables from Exchange Transactions	Sewerage	290 315	515 241
Receivables from Exchange Transactions	Water	667 836	745 733
Receivables from Exchange Transactions	Other Debtors	340 864	325 290
Receivables from Non-exchange Transactions	Assessment Rates Debtors	2 829 864	2 973 941
Receivables from Non-exchange Transactions	Payments made in Advance	-	-
Receivables from Non-exchange Transactions	Sundry Debtors	3 334 594	372 717
Cash and Cash Equivalents	Notice Deposits	3 308 632	976 952
Cash and Cash Equivalents	Bank Balances	52 814	43 223
		<u>11 213 996</u>	<u>6 520 322</u>
Total Financial Assets		<u>11 213 996</u>	<u>6 520 322</u>
FINANCIAL LIABILITIES:			
In accordance with GRAP 104.13 the Financial Liabilities of the municipality are classified as follows:			
	<u>Financial Liabilities</u>	<u>Classification</u>	
Long-term Liabilities			
Annuity Loans	Amortised cost	503 251	-
Finance Lease Liabilities	Amortised cost	-	-
Payables from Exchange Transactions			
Trade Creditors	Amortised cost	9 715 497	9 137 010
Retentions	Amortised cost	428 260	686 465
Other Creditors	Amortised cost	578 529	434 599
Payables from Non-exchange Transactions			
Staff Bonuses	Amortised cost	234 138	183 649
Staff Leave	Amortised cost	272 269	249 690
Sundry Deposits	Amortised cost	17 445	280 741
SUMMARY OF FINANCIAL LIABILITIES			
Financial Liabilities at Amortised Cost:			
Long-term Liabilities	Annuity Loans	503 251	-
Long-term Liabilities	Finance Lease Liabilities	-	-
Payables from Exchange Transactions	Trade Creditors	9 715 497	9 137 010
Payables from Exchange Transactions	Retentions	428 260	686 465
Payables from Exchange Transactions	Other Creditors	578 529	434 599
Payables from Non-exchange Transactions	Staff Bonuses	234 138	183 649
Payables from Non-exchange Transactions	Staff Leave	272 269	249 690
Payables from Non-exchange Transactions	Sundry Deposits	17 445	280 741
Current Portion of Long-term Liabilities	Annuity Loans	237 949	915 001
Current Portion of Long-term Liabilities	Finance Lease Liabilities	-	19 519
		<u>11 987 336</u>	<u>11 906 672</u>
Total Financial Liabilities		<u>11 987 336</u>	<u>11 906 672</u>

MIER LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

2016
R

2015
R

48 FINANCIAL INSTRUMENTS (Continued)

48.2 Fair Value

The following methods and assumptions were used to estimate the Fair Value of each class of Financial Instrument for which it is practical to estimate such value:

Cash

The carrying amount approximates the Fair Value because of the short maturity of these instruments.

Long-term Investments

The Fair Value of some Investments are estimated based on quoted market prices of those or similar investments. Unlisted Equity Investments are estimated using the discounted cash flow method.

Loan Receivables/Payables

Interest-bearing Borrowings and Receivables are generally at interest rates in line with those currently available in the market on a floating-rate basis, and therefore the Fair Value of these Financial Assets and Liabilities closely approximates their carrying values. Fixed interest-rate instruments are fair valued based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

Trade and Other Receivables/Payables

The Fair Value of Trade and Other Payables is estimated at the present value of future cash flows.

The management of the municipality is of the opinion that the carrying value of Trade and Other Receivables recorded at amortised cost in the Annual Financial Statements approximate their fair values. The Fair Value of Trade Receivables were determined after considering the standard terms and conditions of agreements entered into between the municipality and other parties as well as the current payment ratios of the municipality's debtors.

Other Financial Assets and Liabilities

The Fair Value of Other Financial Assets and Financial Liabilities (excluding Derivative Instruments) is determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments.

Long-term Liabilities

The Fair Value of Long-term Liabilities was determined after considering the standard terms and conditions of agreements entered into between the municipality and the relevant financing institutions.

Management considers the carrying amounts of Financial Assets and Financial Liabilities recorded at amortised cost in the Annual Financial Statements to approximate their Fair Values on 30 June 2016, as a result of the short-term maturity of these assets and liabilities.

The Fair Values of Financial Assets and Financial Liabilities, together with the carrying amounts shown in the Statement of Financial Position, are as follows:

	30 June 2016		30 June 2015	
	Carrying Amount R	Fair Value R	Carrying Amount R	Fair Value R
FINANCIAL ASSETS				
Measured at Amortised Cost:				
Notice Deposits	11 213 996	11 213 996	6 520 322	6 520 322
Bank Balances	3 308 632	3 308 632	976 952	976 952
Trade Receivables from Exchange Transactions	52 814	52 814	43 223	43 223
Trade Receivables from Non-exchange Transactions	1 688 092	1 688 092	2 153 488	2 153 488
	6 164 458	6 164 458	3 346 658	3 346 658
Total Financial Assets	11 213 996	11 213 996	6 520 322	6 520 322
FINANCIAL LIABILITIES				
Measured at Amortised Cost:				
Annuity Loans	11 987 336	11 987 336	11 906 672	11 906 672
Trade and Other Payables:	503 251	503 251	-	-
- Payables from Exchange Transactions	10 722 285	10 722 285	10 258 073	10 258 073
- Payables from Non-exchange Transactions	523 851	523 851	714 080	714 080
- Current Portion of Long-term Liabilities	237 949	237 949	934 519	934 519
Total Financial Liabilities	11 987 336	11 987 336	11 906 672	11 906 672
Total Financial Instruments	(773 340)	(773 340)	(5 386 350)	(5 386 350)
Unrecognised Gain / (Loss)		-		-

No Financial Instruments of the municipality have been reclassified during the year.

MIER LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

2016
R

2015
R

48 FINANCIAL INSTRUMENTS (Continued)

Assumptions used in determining Fair Value of Financial Assets and Financial Liabilities

The table below analyses Financial Instruments carried at Fair Value at the end of the reporting period by the level of fair-value hierarchy as required by GRAP 104. The different levels are based on the extent to which quoted prices are used in the calculation of the Fair Value of the Financial Instruments. The levels have been defined as follows:

Level 1:-

Fair Values are based on quoted market prices (unadjusted) in active markets for an identical instrument.

Level 2:-

Fair Values are calculated using valuation techniques based on observable inputs, either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using quoted market prices in active markets for similar instruments, quoted prices for identical or similar instruments in markets that are considered less than active, or other valuation techniques where all significant inputs are directly or indirectly observable from market data.

Level 3:-

Fair Values are based on valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. Also, this category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

30 June 2016

	Level 1 R	Level 2 R	Level 3 R	Total R
FINANCIAL ASSETS				
Financial Instruments at Fair Value:				
Cash and Cash Equivalents	-	52 814	-	52 814
Total Financial Assets	<u>-</u>	<u>52 814</u>	<u>-</u>	<u>52 814</u>
FINANCIAL LIABILITIES				
Financial Instruments at Fair Value:				
Total Financial Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Financial Instruments	<u>-</u>	<u>52 814</u>	<u>-</u>	<u>52 814</u>

30 June 2015

	Level 1 R	Level 2 R	Level 3 R	Total R
FINANCIAL ASSETS				
Financial Instruments at Fair Value:				
Cash and Cash Equivalents	-	43 223	-	43 223
Total Financial Assets	<u>-</u>	<u>43 223</u>	<u>-</u>	<u>43 223</u>
FINANCIAL LIABILITIES				
Financial Instruments at Fair Value:				
Total Financial Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Financial Instruments	<u>-</u>	<u>43 223</u>	<u>-</u>	<u>43 223</u>

48.3 Capital Risk Management

The municipality manages its capital to ensure that the municipality will be able to continue as a going concern while delivering sustainable services to consumers through the optimisation of the debt and equity balance. The municipality's overall strategy remains unchanged from 2010.

The capital structure of the municipality consists of debt, which includes Cash and Cash Equivalents and Equity, comprising Funds, Reserves and Accumulated Surplus as disclosed in Note 22 and the Statement of Changes in Net Assets.

MIER LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

	2016 R	2015 R
48 FINANCIAL INSTRUMENTS (Continued)		
<u>Gearing Ratio</u>		
The gearing ratio at the year-end was as follows:		
Debt	741 200	934 519
Cash and Cash Equivalents	(3 361 446)	(1 020 176)
Net Debt	<u>(2 620 246)</u>	<u>(85 657)</u>
Equity	<u>495 023 030</u>	<u>476 129 330</u>
Net debt to equity ratio	<u>-0.53%</u>	<u>-0.02%</u>

Debt is defined as Long-term Liabilities, together with its Short-term Portion.

Equity includes all Funds and Reserves of the municipality, disclosed as Net Assets in the Statement of Financial Performance and Net Debt as described above.

48.4 Financial Risk Management Objectives

The Accounting Officer has overall responsibility for the establishment and oversight of the municipality's risk management framework. The municipality's risk management policies are established to identify and analyse the risks faced by the municipality, to set appropriate risk limits and controls and to monitor risks and adherence to limits.

Due to the largely non-trading nature of activities and the way in which they are financed, municipalities are not exposed to the degree of financial risk faced by business entities. Financial Instruments play a much more limited role in creating or changing risks that would be typical of listed companies to which the IAS's mainly apply. Generally, Financial Assets and Liabilities are generated by day-to-day operational activities and are not held to manage the risks facing the municipality in undertaking its activities.

The Department Financial Services monitors and manages the financial risks relating to the operations through internal policies and procedures. These risks include interest rate risk, credit risk and liquidity risk. Compliance with policies and procedures is reviewed by the internal auditors on a continuous basis, and annually by external auditors. The municipality does not enter into or trade financial instruments for speculative purposes.

Internal audit, responsible for initiating a control framework and monitoring and responding to potential risk, reports periodically to the municipality's audit committee, an independent body that monitors the effectiveness of the internal audit function.

Further quantitative disclosures are included throughout these Annual Financial Statements.

48.5 Significant Risks

It is the policy of the municipality to disclose information that enables the user of its Annual Financial Statements to evaluate the nature and extent of risks arising from Financial Instruments to which the municipality is exposed on the reporting date.

The municipality has exposure to the following risks from its operations in Financial Instruments:

- Credit Risk;
- Liquidity Risk; and
- Market Risk.

Risks and exposures are disclosed as follows:

Market Risk

Market Risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the municipality's income or the value of its holdings in Financial Instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Credit Risk

Credit Risk is the risk of financial loss to the municipality if a customer or counterparty to a Financial Instrument fails to meet its contractual obligations and arises principally from the municipality's receivables from customers and investment securities.

Liquidity Risk

Liquidity Risk is the risk that the municipality will encounter difficulty in meeting the obligations associated with its Financial Liabilities that are settled by delivering cash or another financial asset. The municipality's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the municipality's reputation.

Liquidity Risk is managed by ensuring that all assets are reinvested at maturity at competitive interest rates in relation to cash flow requirements. Liabilities are managed by ensuring that all contractual payments are met on a timeous basis and, if required, additional new arrangements are established at competitive rates to ensure that cash flow requirements are met.

MIER LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

	2016	2015
	R	R

48 FINANCIAL INSTRUMENTS (Continued)

A maturity analysis for Financial Liabilities (where applicable) that shows the remaining undiscounted contractual maturities is disclosed in Notes 48.8 and 48.9 to the Annual Financial Statements.

48.6 Market Risk

The municipality's activities expose it primarily to the financial risks of changes in interest rates (see Note 48.7 below). No formal policy exists to hedge volatilities in the interest rate market.

There has been no change to the municipality's exposure to market risks or the manner in which it manages and measures the risk.

48.6.1 Foreign Currency Risk Management

The municipality's activities do not expose it to the financial risks of foreign currency and therefore has no formal policy to hedge volatilities in the interest rate market.

48.6.2 Interest Rate Risk Management

Interest Rate Risk is defined as the risk that the fair value or future cash flows associated with a financial instrument will fluctuate in amount as a result of market interest changes.

Potential concentrations of interest rate risk consist mainly of variable rate deposit investments, long-term receivables, consumer debtors, other debtors, bank and cash balances.

The municipality limits its counterparty exposures from its money market investment operations by only dealing with Absa Bank, First National Bank, Nedbank and Standard Bank. No investments with a tenure exceeding twelve months are made.

Consumer Debtors comprise of a large number of ratepayers, dispersed across different industries and geographical areas. Consumer debtors are presented net of a provision for impairment.

In the case of debtors whose accounts become in arrears, it is endeavoured to collect such accounts by "levying of penalty charges", "demand for payment", and, as a last resort, "handed over for collection", whichever procedure is applicable in terms of Council's Credit Control and Debt Collection Policy.

Long-term Receivables and Other Debtors are individually evaluated annually at Balance Sheet date for impairment or discounting. A report on the various categories of debtors is drafted to substantiate such evaluation and subsequent impairment / discounting, where applicable.

The municipality is exposed to interest rate risk as the municipality borrows funds at both fixed and floating interest rates. The risk is managed by the municipality by maintaining an appropriate mix between fixed and floating rate borrowings, such borrowing being below market related rates.

The municipality is not exposed to interest rate risk as the municipality borrows funds at fixed interest rates.

The municipality's exposures to interest rates on Financial Assets and Financial Liabilities are detailed in the Credit Risk Management section of this note.

Interest Rate Sensitivity Analysis

The sensitivity analysis has been determined based on the exposure to interest rates at the Statement of Financial Position date. The analysis is prepared by averaging the amount of the investment at the beginning of the financial year and the amount of the investment at the end of the financial year. A 100 basis point increase or decrease was used, which represents management's assessment of the reasonably possible change in interest rates.

The short and long-term financial instruments at year-end with variable interest rates are set out in Note 48.9 below.

Cash and Cash Equivalents:

If interest rates had been 100 basis points higher / lower and all other variables were held constant, the municipality's:

- Surplus for the year ended 30 June 2016 would have increased / decreased by R480 (30 June 2015: R1 322). This is mainly attributable to the municipality's exposure to interest rates on its variable rate investments.

48.7 Credit Risk Management

Credit Risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the municipality. The municipality has a sound credit control and debt collection policy and obtains sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The municipality uses its own trading records to assess its major customers. The municipality's exposure of its counterparties are monitored regularly.

Potential concentrations of credit rate risk consist mainly of variable rate deposit investments, long-term receivables, consumer debtors, other debtors, bank and cash balances.

Investments/Bank, Cash and Cash Equivalents

The municipality limits its counterparty exposures from its money market investment operations (financial assets that are neither past due nor impaired) by only dealing with Absa Bank, First National Bank, Nedbank and Standard Bank. No investments with a tenure exceeding twelve months are made.

MIER LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

2016 **2015**
R **R**

48 FINANCIAL INSTRUMENTS (Continued)

Trade and Other Receivables

Trade and Other Receivables are amounts owed by consumers and are presented net of impairment losses. The municipality has a credit risk policy in place and the exposure to credit risk is monitored on an ongoing basis. The municipality is compelled in terms of its constitutional mandate to provide all its residents with basic minimum services without recourse to an assessment of creditworthiness. Subsequently, the municipality has no control over the approval of new customers who acquire properties in the designated municipal area and consequently incur debt for rates and waste services rendered to them.

The municipality limits this risk exposure in the following ways, in addition to its normal credit control and debt management procedures:

- The application of section 118(3) of the Municipal Systems Act (MSA), which permits the municipality to refuse connection of services whilst any amount remains outstanding from a previous debtor on the same property;
- A new owner is advised, prior to the issue of a revenue clearance certificate, that any debt remaining from the previous owner will be transferred to the new owner, if the previous owner does not settle the outstanding amount;
- The consolidation of rates and service accounts, enabling recovery for the non-payment of any of the individual debts, in terms of section 102 of the MSA;

There were no material changes in the exposure to credit risk and its objectives, policies and processes for managing and measuring the risk during the year under review. The municipality's maximum exposure to credit risk is represented by the carrying value of each financial asset in the Statement of Financial Position, without taking into account the value of any collateral obtained. The municipality has no significant concentration of credit risk, with exposure spread over a large number of consumers, and is not concentrated in any particular sector or geographical area.

The municipality establishes an allowance for impairment that represents its estimate of anticipated losses in respect of trade and other receivables.

Payment of accounts of consumer debtors, who are unable to pay, are renegotiated as an ongoing customer relationship in response to an adverse change in the circumstances of the customer in terms of the Credit Control and Debt Collection Policy.

Long-term Receivables and Other Debtors are individually evaluated annually at reporting date for impairment or discounting. A report on the various categories of debtors is drafted to substantiate such evaluation and subsequent impairment / discounting, where applicable.

The municipality does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The municipality defines counterparties as having similar characteristics if they are related entities. The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings.

The maximum credit and interest risk exposure in respect of the relevant financial instruments is as follows:

Receivables from Exchange Transactions	2 897 251	18 335 786
Receivables from Non-exchange Transactions	8 282 884	6 471 472
Bank, Cash and Cash Equivalents	3 361 446	1 020 176

Maximum Credit and Interest Risk Exposure	14 541 581	25 827 434
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The major concentrations of credit risk that arise from the municipality's receivables in relation to customer classification are as follows:

	%	%
Consumer Debtors:		
- Household	54.69%	78.06%
- Industrial / Commercial	15.78%	7.71%
- National and Provincial Government	29.53%	12.33%
- Other Classes	0.00%	0.00%
Other Debtors:		
- Other not Classified	29.98%	1.90%
Total Credit Risk	129.98%	100.00%

Bank and Cash Balances

Standard Bank	3 361 446	1 020 176
Total Bank and Cash Balances	3 361 446	1 020 176

Receivables from Non-exchange Transactions

Group 1	3 225 356	253 101
Total Receivables from Non-exchange Transactions	3 225 356	253 101

Credit quality Groupings:

Group 1 - High certainty of timely payment. Liquidity factors are strong and the risk of non-payment is small.

Group 2 - Reasonable certainty of timely payment. Liquidity factors are sound, although ongoing funding needs may enlarge financing requirement. The risk of non-payment is small.

Group 3 - Satisfactory liquidity factors and other factors which qualify the entity as investment grade. However, the risk factors of non-payment are larger.

None of the financial assets that are fully performing have been renegotiated in the last year.

MIER LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

48 FINANCIAL INSTRUMENTS (Continued)

48.8 Liquidity Risk Management

Ultimate responsibility for liquidity risk management rests with the Council, which has built an appropriate liquidity risk management framework for the management of the municipality's short, medium and long-term funding and liquidity management requirements. The municipality manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. Included in Note 45 is a listing of additional undrawn facilities that the municipality has at its disposal to further reduce liquidity risk (cash).

Liquidity and Interest Risk Tables

The municipality ensures that it has sufficient cash on demand or access to facilities to meet expected operational expenses through the use of cash flow forecasts.

The following tables detail the municipality's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the municipality can be required to pay. The table includes both interest and principal cash flows.

Description	Note ref in AFS	Average effective Interest Rate	Total	6 Months or less	6 - 12 Months	1 - 2 Years	2 - 5 Years	More than 5 Years
	#	%	R	R	R	R		R
30 June 2016								
Non-interest Bearing		0.00%	11 246 136	11 246 136	-	-	-	-
- Payables from Exchange transactions			10 722 285	10 722 285	-	-	-	-
- Payables from Non-exchange transactions			523 851	523 851	-	-	-	-
Fixed Interest Rate Instruments		5.00%	934 519	934 519	-	-	-	-
- DBSA		5.00%	934 519	934 519	-	-	-	-
- Short-term Loans			-	-	-	-	-	-
			12 180 655	12 180 655	-	-	-	-
			193 318.87					
30 June 2015								
Non-interest Bearing		0.00%	10 972 152	10 972 152	-	-	-	-
- Payables from Exchange transactions			10 258 073	10 258 073	-	-	-	-
- Payables from Exchange transactions			714 080	714 080	-	-	-	-
Fixed Interest Rate Instruments		5.00%	934 519	934 519	-	-	-	-
- DBSA		5.00%	934 519	934 519	-	-	-	-
- Short-term Loans			-	-	-	-	-	-
			11 906 672	11 906 672	-	-	-	-

MIER LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

48 FINANCIAL INSTRUMENTS (Continued)

At the year-end it was not probable that the counterparty to the financial guarantee contract will claim under the contract. Consequently, the amount included above is nil.

The following table details the municipality's expected maturity for its non-derivative financial assets. The tables below have been drawn up based on the undiscounted contractual maturities of the financial assets including interest that will be earned on those assets except where the municipality anticipates that the cash flow will occur in a different period.

Description	Note ref in AFS	Average effective Interest Rate	Total	6 Months or less	6 - 12 Months	1 - 2 Years	2 - 5 Years	More than 5 Years
	#	%	R	R	R	R		R
30 June 2016								
Non-interest Bearing		0.00%	7 852 550	7 852 550	-	-	-	-
- Trade Receivables from Exchange Transactions			1 688 092	1 688 092	-	-	-	-
- Trade Receivables from Non-exchange Transactions			6 164 458	6 164 458	-	-	-	-
Variable Interest Rate Instruments		591.48%	52 814	52 814	-	-	-	-
- Bank Account			52 814	52 814	-	-	-	-
Fixed Interest Rate Instruments		0.00%	3 308 632	3 308 632	-	-	-	-
- Notice Deposits			3 308 632	3 308 632	-	-	-	-
			11 213 996	11 213 996	-	-	-	-
30 June 2015								
Non-interest Bearing		0.00%	5 500 146	5 500 146	-	-	-	-
- Trade Receivables from Exchange Transactions			2 153 488	2 153 488	-	-	-	-
- Trade Receivables from Non-exchange Transactions			3 346 658	3 346 658	-	-	-	-
Variable Interest Rate Instruments		350.38%	43 223	43 223	-	-	-	-
- Bank Account			43 223	43 223	-	-	-	-
Fixed Interest Rate Instruments		0.00%	976 952	976 952	-	-	-	-
- Notice Deposits			976 952	976 952	-	-	-	-
			-	-	-	-	-	-
			6 520 322	6 520 322	-	-	-	-

The municipality expects to meet its other obligations from operating cash flows and proceeds of maturing financial assets. The municipality expects to maintain current debt to equity ratio. This will be achieved through increased service tariff charges and the increased use of unsecured bank loan facilities.

The following table details the municipality's liquidity analysis for its derivative financial instruments. The table has been drawn up based on the undiscounted net cash inflows/(outflows) on the derivative instrument that settle on a net basis and the undiscounted gross inflows and (outflows) on those derivatives that require gross settlement. When the amount payable or receivable is not fixed, the amount disclosed has been determined by reference to the projected interest rates as illustrated by the yield curves existing at the reporting date.

48.9 Effective Interest Rates and Repricing Analysis

In accordance with IAS 32.67(a) and (b) the following tables indicate the average effective interest rates of Income-earning Financial Assets and Interest-bearing Financial Liabilities at the reporting date and the periods in which they mature or, if earlier, reprice:

30 June 2016

Description	Note ref in AFS	Average effective Interest Rate	Total	6 Months or less	6 - 12 Months	1 - 2 Years	2 - 5 Years	More than 5 Years
	#	%	R	R	R	R		R
Short-term Investment Deposits	7		3 308 632	57 013 543	-	-	-	-
Bank Balances and Cash	7		52 814	359 722	-	-	-	-
Total Fixed Rate Instruments			3 361 446	57 373 265	-	-	-	-

MIER LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

48 FINANCIAL INSTRUMENTS (Continued)

30 June 2015

Description	Note ref in AFS	Average effective Interest Rate	Total	6 Months or less	6 - 12 Months	1 - 2 Years	2 - 5 Years	More than 5 Years
VARIABLE RATE INSTRUMENTS								
Short-term Investment Deposits	7		976 952	42 565 733	-	-	-	-
Bank Balances and Cash	7		43 223	838 904	-	-	-	-
Total Fixed Rate Instruments			1 020 176	43 404 637	-	-	-	-

48.10 Other Price Risks

The municipality is not exposed to equity price risks arising from equity investments as the municipality does not trade these investments.

MIER LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

2016	2015
R	R

49 MULTI-EMPLOYER RETIREMENT BENEFIT INFORMATION

The municipality makes provision for post-retirement benefits to eligible employees, who belong to different pension schemes.

Employees belong to a variety of approved Pension and Provident Funds as described below.

These funds are governed by the Pension Funds Act and include both defined benefit and defined contribution schemes.

All of these afore-mentioned funds are multi-employer plans and are subject to either a tri-annual, bi-annual or annual actuarial valuation, details which are provided below.

Sufficient information is not available to use defined benefit accounting for the pension and retirement funds, due to the following reasons:-

- (i) The assets of each fund are held in one portfolio and are not notionally allocated to each of the participating employers.
- (ii) One set of financial statements are compiled for each fund and financial statements are not drafted for each participating employer.
- (iii) The same rate of contribution applies to all participating employers and no regard is paid to differences in the membership distribution of the participating employers.

It is therefore seen that each fund operates as a single entity and is not divided into sub-funds for each participating employer.

The only obligation of the municipality with respect to the retirement benefit plans is to make the specified contributions. Where employees leave the plans prior to full vesting of the contributions, the contributions payable by the municipality are reduced by the amount of forfeited contributions.

The total expense recognised in the Statement of Financial Performance of R1 129 055 (2015: R927 654) represents contributions payable to these plans by the municipality at rates specified in the rules of the plans. These contributions have been expensed.

The Retirement Funds have been valued by making use of the Discounted Cash Flow method of valuation.

DEFINED BENEFIT SCHEMES

Retirement Fund:

The scheme is subject to a tri-annual actuarial valuation. The last interim actuarial valuation was performed as at 31 March 2012 by Arthur Els & Associates.

The interim actuarial valuation performed as at 31 March 2012 revealed that the fund had a shortfall of R251,2 (31 March 2011: shortfall of R382,3) million, with a funding level of 90,6% (31 March 2011: 84,1%). The contribution rate, including the surcharges below, paid by the members (8,65%) and municipalities (29,00%) was expected to eradicate the shortfall in the fund by 31 March 2015. However, the basic contribution payable is 4,72% less than the required contribution rate.

The actuarial shortfall is taken into account by determining surcharges, to be met by increased contributions. These surcharges amount to 17,50% of pensionable emoluments, of which 1,65% is payable by members and 15,85% is payable by the local authority.

This surcharge is payable until 31 March 2015. It is necessary that the basic employer contribution be increased by 4,72% to 18,37% and the surcharge be increased to 17,5% and extended by a further 3 years to 31 March 2018. This position will be monitored on an annual basis. Subsequently, notice has been served that the surcharge will be increased to 34,22% with effect from 1 July 2012 for a period of 8 years.

The fund has effectively been closed to new members, and it is therefore assumed for the valuation, that no new members will join the fund. However, at present, members of the three Natal Joint Funds are permitted to transfer between the funds and this flow of members may affect the rate of contribution required to be paid to the Fund. It is intended that the Fund merge with the Superannuation Fund in the near future.

Superannuation Fund:

The scheme is subject to a tri-annual actuarial valuation. The last interim actuarial valuation was performed as at 31 March 2012 by Arthur Els & Associates.

The interim actuarial valuation performed as at 31 March 2012 revealed that the fund had a shortfall of R270,0 (31 March 2011: shortfall of R549,5) million, with a funding level of 96,0% (31 March 2011: 90,9%). The contribution rate paid by the members (9,25%) and municipalities (18,00%) is 3,63% (31 March 2011: 3,63%) less than the required contribution rate for future service and will be reviewed at the next interim valuation. The deficit in respect of active members is being met by a surcharge of 9,5% (31 March 2011: 7,0%) of pensionable salaries. It was expected that the deficit will be fully funded by 2016.

This surcharge is payable until 31 March 2015. It is necessary that the basic employer contribution be increased by 4,72% to 18,37% and the surcharge be increased to 17,5% and extended by a further 3 years to 31 March 2018. This position will be monitored on an annual basis. Subsequently, notice has been served that the total rate of contribution from the employer will be increased to 31,13% (18,00% + 3,63% increase in basic rate + 9,50% surcharge) with effect from 1 July 2012 for a period of 8 years.

MIER LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

2016
R

2015
R

49 MULTI-EMPLOYER RETIREMENT BENEFIT INFORMATION (Continued)

The fund has effectively been closed to new members, and it is therefore assumed for the valuation, that no new members will join the fund. However, at present, members of the three Natal Joint Funds are permitted to transfer between the funds and this flow of members may affect the rate of contribution required to be paid to the Fund. It is intended that the Fund merge with the Retirement Fund in the near future.

DEFINED CONTRIBUTION SCHEMES

Provident Fund:

The scheme is subject to a tri-annual actuarial valuation. The last interim actuarial valuation was performed as at 31 March 2012 by Arthur Els & Associates.

The interim actuarial valuation performed as at 31 March 2012 revealed that the market value of the fund was R1 288,3 (31 March 2011: R1 056,2) million. The contribution rate payable (either 5,00%, 7,00% or 9,25% by the member and 6,00%, 9,90% or 14,25% plus an additional 3,75% by the employer), is sufficient to cover the cost of benefits and expenses and the fund was certified to be in sound financial condition as at 31 March 2012.

None of the above mentioned plans are State Plans.

50 RELATED PARTY TRANSACTIONS

All Related Party Transactions are conducted at arm's length, unless stated otherwise.

50.1 Interest of Related Parties

Councillors and/or management of the municipality have relationships with businesses as indicated below:

Name of Related Person	Designation	Relationship	Interest
Eiman M	Mayor	Member of municipal council	Husband is a member of Bouvest 2324 CC
Smith PJJ	Councillor	Member of municipal council	Member of Mier Toeriste Winkel CC and spouse is a member of First Works 136 CC
J.J. Smith	Councillor	Member of municipal council	Vergesig Mier Boerdery
Farao PP	Councillor	Member of municipal council	Director of Genade Kleinboere (Pty) Ltd
Masikani S	Councillor	Member of municipal council	Member of Women Leading Guesthouse CC and Red Dune Events, Decor and Catering Planners Co-Operative Limited
A Titus	Councillor	Member of municipal council	-
N Joseph	Councillor	Member of municipal council	-
KW Dodds	Councillor	Member of municipal council	-
MW Joseph	Ward Committee Member	Wife To Councillor N. Joseph	-
M Makibi	Former acting Municipal Manager	Member of key management	-
L Suipers	Former acting AO/Administrator	Member of key management	-
J Mienies	Acting Technical Manager	Member of key management	-
IJ van Wyk	Acting Strategic Manager	Member of key management	-
EN Mouton	Acting Chief Financial Officer	Member of key management	-
Mouton CA.	Acting Corporate Manager	Member of key management	Member of Doermanskolk Boerdery CC
S.K. Coetzee	Acting Community Services Manager	Member of key management	-
J Williamse	Acting Municipal Manager	Member of key management	Member of Brainwave Projects 1567 cc and Black Sparrow Trading cc
GM Mouton	Tenant to the municipality	Close family member of key management. Brother of the CFO	-
F Mienies	Tenant to the municipality	Close family member of key management. Brother of the Technical Manager	-
PP Mienies	Tenant to the municipality	Close family member of key management	-
D.Mienies	Employee of the municipality	Close family member of key management. Brother of the acting Technical Manager	-
Mervin van Wyk	Employee of the municipality	Close family member of key management. Cousin of the Acting IDP Manager	-

MIER LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

			2016 R	2015 R
50 RELATED PARTY TRANSACTIONS (Continued)				
M.Dodds	Employee of the municipality	Close family member of key management. Aunt of a council member	-	
S Dodds	Money paid for the rendering of services	Close family member of council member		
Shirlene Mouton	Employee of the municipality	Close family member of key management. The corporate manager is her Brother in law	-	
E Steenkamp	Employee of the municipality	Close family member of key management	-	
David Arnaldo Bock	Employee of the municipality	Close family member of key management. Brother of council member	-	
Charelle Kooper	Employee of the municipality	Close family member of key management. Daughter of council member	-	
WG Dodds	Buyer of land from municipality	Close family member of council member	-	
F.Mouton	Employee of the municipality	Close family member of key management. Brother of the Acting Corporate Manager	-	
LR Julies	Employee of the municipality	Close family member of key management. Aunt of the CFO	-	
MS de Klerk	Employee of the municipality	Close family member of key management. Mother in Law of the IDP Manager	-	
VSA Rens	Employee of the municipality	Close family member of key management. Brother in Law of the Technical Manager	-	
JC Mouton	Employee of the municipality	Close family member of key management. Brother in Law of the CFO		Director of Jacqui's Guesthouse and Red Dune Enterprise
ZF Mgcawu District Municipality (Receivable)	Local District Municipality	District municipality with significant control		
Related Person				
			Purchases for the Year	
			2016	2015
Rental of Facilities and Equipment				
GM Mouton			2 701	2 701
F Mienies			2 752	2 752
PP Mienies			3 941	3 941
Smith JJ			3 144	-
Suppliers Paid				
DA Bock			5 711	35 128
D.Mienies			30 000	30 000
M.Dodds			763	1 381
Shirlene Mouton			-	6 832
MW Joseph			2 000	-
Red Dune Enterprise (JC Mouton)			1 040	-
Employee cost				
LR Julies			138 429	148 760
DA Bock			71 395	107 339
MS de Klerk			138 429	149 659
VSA Rens			115 701	117 295
JC Mouton			168 709	278 501
Contracts administrated on behalf of the municipality:				
ZF Mgcawu District Municipality (Receivable)			2 936 226	1 608 452

50.2 Services rendered to Related Parties

During the year the municipality rendered services to the following related parties that are related to the municipality as indicated:

MIER LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

			2016 R	2015 R
50 RELATED PARTY TRANSACTIONS (Continued)				
	Rates Charges R	Service Charges R	Sundry Charges R	Outstanding Balances R
For the Year ended 30 June 2016				
Councillors	598	18 613	3 100	(13 585)
Municipal Manager and Section 57 Personnel	299	20 989	-	11 995
Total Services	898	39 603	3 100	(1 590)
For the Year ended 30 June 2015				
Councillors	104	12 251	-	(14 255)
Municipal Manager and Section 57 Personnel	-	20 735	120	35 507
Total Services	104	32 986	120	21 252

The services rendered to Related Parties are charged at approved tariffs that were advertised to the public. No Bad Debts were written off or recognised in respect of amounts owed by Related Parties.

50.3 Loans granted to Related Parties

In terms of the MFMA, the municipality may not grant loans to its Councillors, Management, Staff and Public with effect from 1 July 2004. Loans, together with the conditions thereof, granted prior to this date are disclosed in Note N/A to the Annual Financial Statements.

50.4 Compensation of Related Parties

Compensation of Key Management Personnel and Councillors is set out in Appendix G, Statement of Remuneration of Management, to the Annual Financial Statements.

51 CONTINGENT LIABILITIES

51.1 Court Proceedings:

	760 000	265 000
(i) Vergesig Mier Boerdery BK: Vergesig Mier Boerdery BK issued summons for specific performance claiming transfer of certain property in the name of Vergesig Boerdery BK. The case is still pending. Council's Ref : MIE2-B/0005 The matter was set down for trial during February 2014. The estimated days for completing the trial was 4 days. On arrival the Plaintiff requested the time for preparing a possible settlement. The judge president requested a formal Rule 37. On day 2 the Plaintiff requested more time which was granted. On the morning of day 3 the legal team of the Plaintiff informed us that their instructions was ended. The Plaintiff requested a remand to appoint a new attorney and advocate and the case was remanded sine die. The estimated cost on completing the case – R160 000 (2015:R250 000.00). Trial not completed, Rule 37 negotiations in progress	160 000	250 000
(ii) Klipkolk Gastehuis/ HJ Bott: Mr Bott wrote a letter through his legal representative claiming that in accordance to a contract that he had with the municipality, the municipality owes him certain amounts of money for improvements to Klipkolk Gastehuis and that the municipality undertook to refund him in one or other way. Apparently summons was issued. The municipality did not stop our instructions. The Plaintiff informed us that another attorney filed a Notice to Defend.	600 000	-

MIER LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

	2016 R	2015 R
51 CONTINGENT LIABILITIES (Continued)		
(iii) Collection Matters: Certain farmers in terms of the lease agreement of the municipal property/farms do not pay for water and were remanded Council's Ref : MIE2-B/0007 If no summons is issued, a minimal amount in costs (approximately R1 000.00 per matter will be paid) Currently there are about 4 of these matters where payment is outstanding. This matter has been resolved	-	4 000
(v) NC Smith & JJ van Schalkwyk: Smith & van Schalkwyk wrote a letter by way of their legal representative to make the same claim as in the Vergesig Mier Boerdery BK matter. They were referred to three cases pending. Approximately cost R5 000. It is uncertain whether these two claimants will issue summons. Most likely they will await the outcome of the Vergesig Mier Boerdery BK case. This matter has been resolved	-	5 000
(vi) Legal Opinion: JF van Rooi: An opinion was obtained in a motor vehicle accident and possible claim against the municipality. Estimated cost - R3 000. This matter has been resolved	-	3 000
(vii) Keimoes Properties: Uncertainty existed as to ownership of certain properties in Keimoes regarding a lease agreement. Council was requested to do a deeds office search. Correspondence in this regard referred to the outcome. Estimated cost - R3 000. This matter has been resolved, the property is now in the name of the municipality.	-	3 000
(viii) AJ Bezuidenhout - Coertzenburg: Our client received a letter from Mrs Lange Carr & Wessels Inc indicating that their client, Bezuidenhout is interested in obtaining ownership of the farm Coertzenburg on the same basis as Bott is claiming ownership of the farm Vergesig. Council's Ref : MIE2-B/0019 Estimated costs – at this stage only minor consultation and correspondence. Bezuidenhout's attorneys was referred to the pending case of Bott and Vergesig which deals with the same merits and was set down for trial at the end of February 2014. We assume that the matter will be held over until after the case was heard. It is not possible to make an estimate of costs at this stage. Bezuidenhout's attorneys was referred to the pending case of Bott and Vergesig which deals with the same merits and was set down for trial at the end of February 2014. We assume that the matter will be held over until after the case was heard. It is not possible to make an estimate of costs at this stage. Council has reached a settlement outside the court	-	-
(ix) Development Bank of South Africa (DBSA): The municipality defaulted on the loan conditions of the DBSA during the financial year and as a result of the breach in contract a contingent liability exists. The DBSA shall be entitled, after giving the borrower 30 days written notice to suspend drawdown's from the loan or to terminate this agreement and to claim from the borrower immediate payment of all the outstanding amounts should the borrower commit a breach of this agreement. The DBSA shall be entitled to exercise its rights – [Section 10.2.1] - The borrower failing to repay the capital amount and to pay interest. New agreement has been signed.	-	-
(iix) Lulama Lobi The Court found that the procedures followed for the tender was not adhered to and found that the contracts with Amadwala Trading was invalid. Amadwala Trading filed an appeal which is still pending.	200 000	550 000
(x) Rietfontein Mining MIE2-B/0027. Application for eviction against Rietfontein Mining in High Court. Matter was argued. Waiting for Judgment	98 734	-
(xi) Elandskopbeen MIE2-B/0028. Requested to investigate eviction of farmers breaching lease agreement. Waiting for instructions.	78 660	-
(xii) NC & DS SMITH MIE2-B/0029. AASVOËLPAN, Possible claim against council for transfer of property. Matter still pending	78 660	-
51.2 Landfill sites:	500 000	500 000
(i) Currently the municipality is not complying with the National Environmental Management: Waste Act as the municipality is operating the landfill site of Norvalspont without a license as required by section 68(1) of the National Environmental Management: Waste Act, 2008 (Act No. 59 of 2008).	500 000	500 000
In terms of section 68(1) of the Waste Management Act the municipality might receive a penalty of R100 000 for not having a license to operate a landfill site. As per previous guidance it was decided not to disclose an amount as this fine was not allocated to any municipality in		
In accordance with section 68(1) of the National Environmental Management: Waste Act, 2008 (Act No. 59 of 2008), a person convicted of an offence referred to in section 67(1)(a), (g) or (h) is liable to a fine not exceeding R10 000 000 or to imprisonment for a period not exceeding 10 years, or to both such fine and such imprisonment, in addition to any other penalty or award that may be imposed or made.		

MIER LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

	2016 R	2015 R
52 CONTINGENT ASSETS		
52.1 Legal Causes:	65 442	55 000
(i) Good paid, not received: The municipality paid an amount of R55 000.00 to Oranjerivier Stene for the delivery of building bricks. After payment was done, the supplier did not delivery any of the bricks. The municipality's attorneys are investigating the cause. Estimated legal costs – R10 000.00	65 442	55 000

MIER LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

2016	2015
R	R

53 PRIVATE PUBLIC PARTNERSHIPS

During the 2007/2008 financial year the Municipality together with "The Khomani San Communal Property Association" concluded a management agreement with "Victory Parade Trading 73 (Pty) Ltd" for the operation of the "Xaus Lodge". In accordance with the agreement the responsibility rests fully with the operator and the Municipality does not derive any financial benefit. This agreement does not comply with the requirement of a Joint Venture. This matter has been disclosed for the benefit of the users of the financial statements.

54 EVENTS AFTER THE REPORTING DATE

It is important to highlight for the user that the Demarcation board announced that as from the 3rd of August 2016, Mier Local Municipality will be merging with //Khara Hais Local Municipality in Upington, after which a new municipality will be created.

55 COMPARATIVE FIGURES

The comparative figures were restated as a result of the effect of Prior Period Errors (Note 39).

56 GOING CONCERN ASSESSMENT

Management considered the following matters relating to the Going Concern:

(i) On 31 May 2015 the Council adopted the 2013/14 to 2015/16 Budget. This three-year Medium Term Revenue and Expenditure Framework (MTREF) to support the ongoing delivery of municipal services to residents reflected that the Budget was cash-backed over the three-year period.

(ii) The municipality's Budget is subjected to a very rigorous independent assessment process to assess its cash-backing status before it is ultimately approved by Council.

(iii) Strict daily cash management processes are embedded in the municipality's operations to manage and monitor all actual cash inflows and cash outflows in terms of the cash-flow forecast supporting the Budget. The cash management processes is complemented by monthly reporting, highlighting the actual cash position, including the associated risks and remedial actions to be instituted.

(iv) As the municipality has the power to levy fees, tariffs and charges, this will result in an ongoing inflow of revenue to support the ongoing delivery of municipal services. Certain key financial ratios, such as liquidity, cost coverage, debtors' collection rates and creditors' payment terms are closely monitored and the necessary corrective actions instituted.

The following are indicators that the financial sustainability may be under threat. These include the following:

Revenue of the municipality is not being collected, and management, with the approval of council wrote off debtor's account in excess of R19 mil.

The municipal budget have been overspent with R12 910 178 (2015: R11 197 736) for the current financial year;

The municipality is not able to settle supplier accounts within 30 days of receipt of the invoice and 75% of trade payables are outstanding for

The municipality defaulted on payment terms entered into with a credit provider;

The current liabilities exceeds the current assets with 68%, indicating that the municipality is not in a position to settle debt as it becomes due within the next 12 months;

On 1st of July 2014 the district municipality and Mier municipality signed a seconding agreement in terms of the relevant acts. Mr Willemse was seconded to the municipality to act as municipal manager

The municipality is based in a remote area in the Northern Cape Province with little economic activity and many community members are classified as indigent consumers of the municipality. As a result the municipality struggles to collect revenue and this results in significant cash flow problems, which cast significant doubt on the municipality's ability to continue as a going concern. The municipality is dependent on national and provincial grants for its continued existence.

It is important to highlight for the user that the Demarcation board announced that as from the 3rd of August 2016, Mier Local Municipality will be merging with //Khara Hais Local Municipality in Upington

Taking the aforementioned into account, management has prepared the Annual Financial Statements on the Going Concern Basis.

APPENDIX A
MIER LOCAL MUNICIPALITY
SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2016

Details	Original Loan Amount	Interest Rate	Loan Number	Redeemable	Balance at 30 June 2015	Received during the Period	Loan (over)/under paid	Interst Charged during period	Redeemed/ Written Off during Period	Balance at 30 June 2016
ANNUITY LOANS	R				R	R			R	R
Development Bank of South Africa	1 560 000	5.00%	61000560	31.08.2014	-	-	915 001	40 348	(269 098)	686 251
DBSA (Arreas)	-	7.00%	61000560		915 001	-	(860 643)	592		54 949
Total Annuity Loans	1 560 000				915 001	-	54 358	40 939	(269 098)	741 200
TOTAL EXTERNAL LOANS	1 560 000				915 001	-	54 358	40 939	(269 098)	741 200

ANNUITY LOANS:

DBSA:

Original loan capital of R1 560 000 is repayable monthly in fixed instalments of capital and fixed rate interest.

APPENDIX B
MIER LOCAL MUNICIPALITY
ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2016

Description	Cost / Revaluation									Accumulated Depreciation / Impairment					Carrying
	Opening Balance	Additions	Under Construction			Under Construction	Transfers	Disposals	Closing Balance	Opening Balance	Additions	Transfers	Disposals	Closing Balance	Value
			Balance b/f	Added	Completed										
	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R
Land															
Land: Developed	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Land: Undeveloped	29 799 431	-	-	-	-	-	-	-	29 799 431	-	-	-	-	-	29 799 431
	29 799 431	-	-	-	-	-	-	-	29 799 431	-	-	-	-	-	29 799 431
Buildings															
Building	33 768 386	190 649	-	-	-	-	-	-	33 959 035	11 579 373	596 698	-	-	12 176 071	21 782 965
Non residential buildings	347 001	-	-	-	-	-	-	-	347 001	232 772	11 998	-	-	244 770	102 231
Residential Dwelling	289 055	-	-	-	-	-	-	-	289 055	47 249	26 860	-	-	74 110	214 946
			-	-	-	-	-	-	-	-	-	-	-	-	-
Non Residential Dwelling															
Building	3 993 765	24 192	-	-	-	-	-	-	4 017 957	1 642 327	206 897	-	-	1 849 223	2 168 734
Office Building	34 042	-	-	-	-	-	-	-	34 042	2 398	2 398	-	-	4 797	29 246
Parks	25 162	-	-	-	-	-	-	-	25 162	2 516	2 516	-	-	5 032	20 129
Storage	264 028	-	-	-	-	-	-	-	264 028	118 812	5 281	-	-	124 093	139 935
WIP	1 967 856		1 967 856	294 754	(2 262 610)	-	-	-	-	-	-	-	-	-	-
	40 689 295	214 842	1 967 856	294 754	(2 262 610)	-	-	-	38 936 280	13 625 448	852 648	-	-	14 478 096	24 458 184
Infrastructure															
Airports:															
Landing strip	521 213	-	-	-	-	-	-	-	521 213	104 243	104 243	-	-	208 485	312 728
			-	-	-	-	-	-	-	-	-	-	-	-	-
Electricity:															
Meterbox	3 238	-	-	-	-	-	-	-	3 238	1 846	65	-	-	1 910	1 328
LV Overhead Line	170 279	-	-	-	-	-	-	-	170 279	106 425	4 257	-	-	110 682	59 598
LV Pole	75 851	-	-	-	-	-	-	-	75 851	59 206	1 896	-	-	61 102	14 749
MV Pole	2 107	-	-	-	-	-	-	-	2 107	1 738	53	-	-	1 791	316
LV Pole	567 591	-	-	-	-	-	-	-	567 591	14 256	14 256	-	-	28 512	539 079
Street Light	60 219	-	-	-	-	-	-	-	60 219	26 815	2 378	-	-	29 192	31 027
			-	-	-	-	-	-	-	-	-	-	-	-	-
Roads and Transport:															
Intersection	6 485 076	-	-	-	-	-	-	-	6 485 076	1 136 214	153 761	-	-	1 289 975	5 195 101
Street	30 208 033	-	-	-	-	-	-	(325 330)	29 882 703	6 970 654	908 681	-	(255 802)	7 623 534	22 259 170
Side Walk	6 277	-	-	-	-	-	-	-	6 277	307	153	-	-	460	5 817
Furniture	128 238	-	-	-	-	-	-	-	128 238	98 924	6 130	-	-	105 054	23 185
Channel	857 438	-	-	-	-	-	-	-	857 438	20 678	14 238	-	-	34 916	822 522
Culvert	1 768 067	-	-	-	-	-	-	-	1 768 067	77 113	22 077	-	-	99 190	1 668 877
Erosion Protection	111 244	-	-	-	-	-	-	-	111 244	17 752	1 826	-	-	19 577	91 667
Kerb	3 651 242	-	-	-	-	-	-	-	3 651 242	218 576	72 305	-	-	290 881	3 360 361
Cattle Grid	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Road Sign	256 661	-	-	-	-	-	-	(28 107)	228 554	123 801	22 103	-	(25 209)	120 695	107 860
Speed Hump	103 096	-	-	-	-	-	-	-	103 096	19 881	2 577	-	-	22 458	80 638
WIP	1 261 966		1 261 966	8 404 603	-	9 666 568	-	-	9 666 568	-	-	-	-	-	9 666 568
			-	-	-	-	-	-	-	-	-	-	-	-	-
Sanitation:															
Land Fill Site	19 845 027	-	-	-	-	-	-	-	19 845 027	14 892 435	1 049 078	-	-	15 941 513	3 903 514
WIP	2 584 335		2 584 335	87 989	(2 203 616)	468 708	-	-	468 708	-	-	-	-	-	468 708
			-	-	-	-	-	-	-	-	-	-	-	-	-
Sewerage:															
Chamber	-	129 095	-	-	-	-	-	-	129 095	-	4 303	-	-	4 303	124 791
Division Box	186 807	-	-	-	-	-	-	-	186 807	62 269	6 227	-	-	68 496	118 311
Pond	3 866 689	1 187 225	-	-	-	-	-	-	5 053 914	2 843 124	73 171	-	-	2 916 295	2 137 619
Primary Screen	-	326 810	-	-	-	-	-	-	326 810	-	9 781	-	-	9 781	317 029
Treatment Plant Site	410 288	312 929	-	-	-	-	-	(254 865)	468 351	177 276	30 980	-	(101 946)	106 310	362 042

APPENDIX B
MIER LOCAL MUNICIPALITY
ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2016

Description	Cost / Revaluation									Accumulated Depreciation / Impairment					Carrying
	Opening Balance	Additions	Under Construction			Under Construction	Transfers	Disposals	Closing Balance	Opening Balance	Additions	Transfers	Disposals	Closing Balance	Value
			Balance b/f	Added	Completed										
	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R
Water:	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Stand Pipe	-	13 534	-	-	-	-	-	-	13 534	-	451	-	-	451	13 083
Water Service Connection	2 890 366	-	-	-	-	-	-	-	2 890 366	1 793 568	144 518	-	-	1 938 087	952 279
Chamber	128 498	-	-	-	-	-	-	-	128 498	74 822	5 551	-	-	80 374	48 124
Pipe	36 561 556	22 266	-	-	-	-	-	(47 112)	36 536 709	12 398 730	620 923	-	(15 704)	13 003 949	23 532 760
Valve	21 751	-	-	-	-	-	-	-	21 751	13 151	1 187	-	-	14 338	7 413
Booster Pump Station	1 988 024	-	-	-	-	-	-	-	1 988 024	816 739	96 464	-	-	913 203	1 074 821
Meterbox	16 190	-	-	-	-	-	-	-	16 190	8 419	324	-	-	8 743	7 447
Raw Water Pump Station	1 048	-	-	-	-	-	-	-	1 048	75	75	-	-	150	898
Balancing Dam	1 972 435	-	-	-	-	-	-	-	1 972 435	1 129 796	44 956	-	-	1 174 752	797 683
Command Reservoir	225 689	-	-	-	-	-	-	(94 659)	131 030	191 186	9 448	-	(91 504)	109 131	21 900
Raw Water Reservoir	12 952	-	-	-	-	-	-	-	12 952	10 405	259	-	-	10 664	2 288
Service Reservoir	6 006 298	104 779	-	-	-	-	-	(674 956)	5 436 121	3 019 656	145 561	-	(615 220)	2 549 998	2 886 124
Weir	2 102 677	-	-	-	-	-	-	-	2 102 677	158 970	158 970	-	-	317 939	1 784 738
Borehole	16 068 792	-	-	-	-	-	-	(500 897)	15 567 895	10 283 411	629 619	-	(320 009)	10 593 021	4 974 874
Package Plant	1 907 477	-	-	-	-	-	-	(99 538)	1 807 939	1 055 166	109 701	-	(68 017)	1 096 850	711 090
Treatment Plant Site	-	103 185	-	-	-	-	-	-	103 185	-	3 440	-	-	3 440	99 746
	143 034 736	2 199 821	3 846 301	8 492 592	(2 203 616)	10 135 277	-	(2 025 464)	149 498 068	57 927 624	4 475 985	-	(1 493 411)	60 910 198	88 587 870
Community Assets			-	-	-	-				-	-		-	-	-
Cemetery	560 441	-	-	-	-	-	-	-	560 441	50 903	50 903	-	-	101 805	458 636
Public Park	471 452	849 139	-	-	-	-	-	-	1 320 590	196 554	37 455	-	-	234 008	1 086 582
Sport Field	812 580	-	-	-	-	-	-	-	812 580	60 868	60 868	-	-	121 736	690 844
WIP	-	-	-	-	-	455 697	-	-	455 697	-	-	-	-	-	455 697
	1 844 473	849 139	-	-	-	455 697	-	-	3 149 308	308 324	149 225	-	-	457 550	2 691 758
Leased Assets			-	-	-	-				-	-		-	-	-
Office Equipment	207 732	-	-	-	-	-	(137 851)	(69 881)	-	180 876	7 317	(120 199)	-67 995	-	-
	207 732	-	-	-	-	-	(137 851)	(69 881)	-	180 876	7 317	(120 199)	(67 995)	-	-
Other Assets			-	-	-	-				-	-		-	-	-
Emergency Equipment:															
Fire fighting equipment / fire hoses	58 210	-	-	-	-	-	-	-	58 210	33 540	6 727	-	-	40 267	17 943
Furniture and Fittings:															
Beds	29 100	-	-	-	-	-	-	-	29 100	24 984	3 268	-	-	28 252	848
Cabinets & cupboards	145 516	-	-	-	-	-	-	-	145 516	105 028	15 474	-	-	120 501	25 015
Chairs and couches	223 350	-	-	-	-	-	(36 296)	-	187 054	162 951	23 988	-	(34 178)	152 761	34 293
Other furniture and fittings	26 292	-	-	-	-	-	-	-	26 292	21 477	1 653	-	-	23 130	3 162
Shelving and bookcases	67 567	-	-	-	-	-	-	-	67 567	44 278	7 856	-	-	52 134	15 432
Tables & desks	375 126	-	-	-	-	-	(6 657)	-	368 469	224 075	41 791	-	(5 365)	260 500	107 969
Motor Vehicles:															
Farm vehicles	64 550	-	-	-	-	-	(64 550)	-	-	64 550	-	-	(64 550)	-	-
Specialised vehicles	26 272	-	-	-	-	-	-	-	26 272	9 013	2 522	-	-	11 535	14 737
Trailers and accessories	71 000	-	-	-	-	-	(71 000)	-	-	32 863	3 408	-	(36 271)	-	-
Trucks, buses and Idv's	1 310 453	175 351	-	-	-	-	(176 119)	-	1 309 685	167 854	93 921	-	(58 067)	203 708	1 105 977
Office Equipment:															
Air conditioners	294 285	10 000	-	-	-	-	(33 600)	-	270 685	181 491	39 639	-	(36 062)	185 068	85 617
Audiovisual equipment	54 446	-	-	-	-	-	(4 119)	-	50 327	46 892	6 800	-	(4 416)	49 276	1 051
Computer hardware	605 506	97 035	-	-	-	-	(180 259)	-	660 133	339 860	123 577	120 199	(211 248)	372 387	287 745
Domestic equipment	10 203	-	-	-	-	-	(598)	-	9 605	8 981	324	-	(505)	8 799	806
Office equipment - other	22 890	-	-	-	-	-	(1 838)	-	21 052	17 977	1 594	-	(1 838)	17 733	3 319
Office machines	158 793	-	-	-	-	-	(65 265)	-	93 528	142 839	2 215	-	(65 265)	79 789	13 740

APPENDIX B
MIER LOCAL MUNICIPALITY
ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2016

Description	Cost / Revaluation									Accumulated Depreciation / Impairment					Carrying
	Opening Balance	Additions	Under Construction			Under Construction	Transfers	Disposals	Closing Balance	Opening Balance	Additions	Transfers	Disposals	Closing Balance	
			Balance b/f	Added	Completed										Value
	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R
Plant and Equipment:															
Compressors	9 491								9 491	7 476.34	1 220	-	-	8 697	794
Generators	133 072	-						(24 304)	108 769	101 181	13 985	-	(24 304)	90 862	17 907
Lab equipment	39 079							-	39 079	27 836	5 328			33 164	5 915
Plant and equipment - other	84 054	48 870						(74 580)	58 343	44 746	9 698		(45 111)	9 333	49 010
Workshop equipment and tools	19 025							(5 336)	13 689	17 229	449		(5 336)	12 342	1 347
		-										-	-	-	
	3 828 278	331 256	-	-	-	-	137 851	(744 520)	3 552 865	1 827 119	405 436	120 199	(592 516)	1 760 238	1 792 627
			0.00	0.00	0.00										
Total	219 403 945	3 595 057	5 814 157	8 787 346	(4 466 226)	10 590 974	-	(2 839 865)	224 935 953	73 869 391	5 890 612	-	(2 153 921)	77 606 082	147 329 871

ANALYSIS OF INVESTMENT PROPERTIES AS AT 30 JUNE 2016

Description	Cost / Revaluation									Accumulated Depreciation / Impairment					Carrying Value
	Opening Balance	Fair Value Adj	Under Construction			Under Construction	Transfers	Disposals	Closing Balance	Opening Balance	Additions	Transfers	Disposals	Closing Balance	
			Balance b/f	Added	Completed										
	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R
Investment Properties															
Land	346 648 822	24 641 491	-	-	-	-	-	(4 939 855)	366 350 458	-	-	-	-	-	366 350 458
Buildings	5 346 176	-	-	-	-	-	-	-	5 346 176	-	-	-	-	-	5 346 176
	351 994 998	24 641 491	-	-	-	-	-	(4 939 855)	371 696 634	-	-	-	-	-	371 696 634

MIER LOCAL MUNICIPALITY
ANALYSIS OF INTANGIBLE ASSETS AS AT 30 JUNE 2016

Description	Cost / Revaluation									Accumulated Depreciation / Impairment					Carrying Value
	Opening Balance	Additions	Under Construction			Under Construction	Transfers	Disposals	Closing Balance	Opening Balance	Additions	Transfers	Disposals	Closing Balance	
			Balance b/f	Added	Completed										
Intangible Assets Computer Software	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R
	2 053 107		-	-	-	-	-	(47 710)	2 005 397	65 150	55 287	-	(47 710)	72 727	1 932 670
	2 053 107	-	-	-	-	-	-	(47 710)	2 005 397	65 150	55 287	-	(47 710)	72 727	1 932 670

MIER LOCAL MUNICIPALITY
ANALYSIS OF HERITAGE ASSETS AS AT 30 JUNE 2016

Description	Cost / Revaluation									Accumulated Depreciation / Impairment					Carrying Value
	Opening Balance	Additions	Under Construction			Under Construction	Transfers	Disposals	Closing Balance	Opening Balance	Additions	Transfers	Disposals	Closing Balance	
			Balance b/f	Added	Completed										
	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R
Heritage Assets															
Heritage Site	200 475	-	-	-	-	-	-	-	200 475	-	-	-	-	-	200 475
	200 475	-	-	-	-	-	-	-	200 475	-	-	-	-	-	200 475
Total Asset Register	573 652 524	28 236 547	5 814 157	8 787 346	(4 466 226)	10 590 974	-	(7 827 430)	598 838 458	73 934 540	5 945 899	-	(2 201 631)	77 678 809	521 159 650

APPENDIX C
MIER LOCAL MUNICIPALITY
SEGMENTAL ANALYSIS OF CAPITAL ASSETS AS AT 30 JUNE 2016

Description	Cost / Revaluation					Accumulated Depreciation / Impairment				Carrying Value
	Opening Balance	Additions	Under Construction	Disposals	Closing Balance	Opening Balance	Additions	Disposals	Closing Balance	
	R	R	R	R	R	R	R	R	R	R
Executive and Council	116 001	-	-	(11 949)	104 052	94 143	6 801	(11 949)	88 995	15 057
Finance and Administration	5 641 725	302 939	455 697	(850 162)	5 550 198	1 819 557	440 973	(697 610)	1 562 920	3 987 278
Waste Management	467 858 154	25 705 471	9 666 568	(5 293 292)	497 936 901	22 995 063	2 357 271	(281 011)	25 071 323	472 865 578
Water	69 980 096	272 081	-	(1 417 162)	68 835 015	31 011 676	1 981 707	(1 110 454)	31 882 928	36 952 086
Waste water management	24 242 390	1 956 057	468 708	(254 865)	26 412 291	18 014 101	1 160 484	(101 946)	19 072 639	7 339 651
Total	567 838 366	28 236 547	10 590 974	(7 827 430)	598 838 457	73 934 540	5 947 236	(2 202 970)	77 678 806	521 159 651

APPENDIX D
MIER LOCAL MUNICIPALITY
SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2016

2015 Actual Income	2015 Budgeted Income	2015 Actual Expenditure	2015 Budgeted Expenditure	2015 Surplus/ (Deficit)	Description	2016 Actual Income	2016 Budgeted Income	2016 Actual Expenditure	2016 Budgeted Expenditure	2016 Surplus/ (Deficit)
R	R	R	R	R		R	R	R	R	R
-	-	3 312 215	2 346 790	(3 939 973)	Executive and Council	-	-	3 576 756	3 307 494	(3 576 756)
-	-	911 271	1 256 168	(3 939 973)	Municipal Manager	-	-	1 042 886	1 692 975	(1 042 886)
34 223 164	38 340 976	10 829 819	9 582 038	23 384 226	Budget and Treasury Office	56 069 390	37 560 013	13 812 170	9 297 559	42 257 220
-	-	1 675 887	1 759 205	(1 635 129)	Corporate Services	-	-	4 502 955	5 163 099	(4 502 955)
16 288 595	800 000	3 459 795	7 742 520	(3 450 020)	Community and Social Services	162 610	922 319	3 427 748	5 428 727	(3 265 137)
4 984 213	1 952 218	4 106 122	1 883 335	1 081 912	Waste Management	3 092 961	1 414 503	2 923 519	1 388 882	169 442
724 874	2 571 447	2 144 224	2 356 766	(2 472 475)	Waste Water Management	810 622	1 027 470	7 830 552	4 056 278	(7 019 930)
900 853	3 875 013	6 952 741	2 953 668	(6 053 611)	Water	912 962	2 015 636	5 061 270	6 293 393	(4 148 308)
57 121 700	47 539 653	33 392 073	29 880 490	2 974 958	Sub-Total	61 048 546	42 939 941	42 177 856	36 628 407	18 870 690
57 121 700	47 539 653	33 392 073	29 880 490	2 974 958	Total	61 048 546	42 939 941	42 177 856	36 628 407	18 870 690

APPENDIX E(1)
MIER LOCAL MUNICIPALITY

RECONCILIATION OF BUDGETED FINANCIAL PERFORMANCE BY STANDARD CLASSIFICATION FOR THE YEAR ENDED 30 JUNE 2016

Description	2015/16							
	Original Total Budget	Budget Adjustments	Final Adjustments Budget	Final Budget	Actual Outcome	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
	R	R	R	R	R	R	R	R
REVENUE - STANDARD								
Governance and Administration:								
Budget and Treasury Office	30 388 069	7 171 944	37 560 013	37 560 013	56 069 390	18 509 377	149.28	184.51
Community and Public Safety:								
Community and Social Services	686 000	236 319	922 319	922 319	162 610	(759 709)	17.63	23.70
Trading Services:								
Water	2 031 584	(15 941)	2 015 643	2 015 643	912 962	(1 102 681)	45.29	44.94
Waste Water Management	817 664	209 806	1 027 470	1 027 470	810 622	(216 848)	78.89	99.14
Waste Management	1 160 563	253 933	1 414 496	1 414 496	3 092 961	1 678 465	218.66	266.51
Total Revenue - Standard	35 083 880	7 856 061	42 939 941	42 939 941	61 048 546	18 108 605	142.17	174.01
EXPENDITURE - STANDARD								
Governance and Administration:								
Executive and Council	4 396 084	604 070	5 000 154	5 000 154	4 584 717	(415 437)	91.69	104.29
Budget and Treasury Office	8 290 691	1 007 178	9 297 869	9 297 869	13 812 170	4 514 301	148.55	166.60
Corporate Services	4 635 211	527 888	5 163 099	5 163 099	4 504 116	(658 982)	87.24	97.17
Community and Public Safety:								
Community and Social Services	4 135 541	1 293 186	5 428 727	5 428 727	3 426 587	(2 002 140)	63.12	82.86
Trading Services:								
Water	6 038 728	254 670	6 293 399	6 293 399	5 061 313	(1 232 085)	80.42	83.81
Waste Water Management	4 454 440	(398 161)	4 056 278	4 056 278	7 842 424	3 786 146	193.34	176.06
Waste Management	1 292 536	96 346	1 388 882	1 388 882	2 923 519	1 534 637	210.49	226.18
Total Expenditure - Standard	33 243 230	3 385 177	36 628 407	36 628 407	42 154 847	5 526 440	115.09	126.81
Surplus/(Deficit) for the year	1 840 650	4 470 884	6 311 534	6 311 534	18 893 700	12 582 166	299.35	1 026.47

APPENDIX E (2)
MIER LOCAL MUNICIPALITY

RECONCILIATION OF BUDGETED FINANCIAL PERFORMANCE BY MUNICIPAL VOTE FOR THE YEAR ENDED 30 JUNE 2016

Description	2015/16								
	Original Total Budget	Budget Adjustments	Final Adjustments Budget	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
	R	R	R	R	R	R	R	R	R
REVENUE BY VOTE									
Vote 1 - Finance	30 388 069	7 171 944	37 560 013	37 560 013	56 069 390	-	18 509 377	149.28	184.51
Vote 2 - Waste management	1 160 563	253 934	1 414 497	1 414 497	3 092 961	-	1 678 464	218.66	266.51
Vote 3 - Waste water management	817 664	209 806	1 027 470	1 027 470	810 622	-	(216 848)	78.89	99.14
Vote 4 - Water	2 031 584	(15 941)	2 015 643	2 015 643	912 962	-	(1 102 681)	45.29	44.94
Vote 9 - Community & Social Services	686 000	236 319	922 319	922 319	162 610	-	(759 709)	17.63	23.70
Total Revenue by Vote	35 083 880	7 856 062	42 939 942	42 939 942	61 048 546	-	18 108 604	142.17	174.01
EXPENDITURE BY VOTE									
Vote 1 - Finance	8 290 691	1 006 862	9 297 553	9 297 553	13 812 170	4 514 617	4 514 617	148.56	166.60
Vote 2 - Waste management	1 292 536	96 346	1 388 882	1 388 882	2 923 519	1 534 637	1 534 637	210.49	226.18
Vote 3 - Waste water management	4 454 440	(398 162)	4 056 278	4 056 278	7 854 382	3 798 104	3 798 104	193.64	176.33
Vote 4 - Water	6 038 728	254 671	6 293 399	6 293 399	5 061 270	-	(1 232 129)	80.42	83.81
Vote 5 - Executive and Council	2 947 406	360 088	3 307 494	3 307 494	3 529 916	222 422	222 422	106.72	119.76
Vote 6 - Community & Social Services	4 135 541	1 293 186	5 428 727	5 428 727	3 427 748	-	(2 000 979)	63.14	82.89
Vote 7 - Municipal Mayor	1 448 677	244 299	1 692 976	1 692 976	1 042 886	-	(650 090)	61.60	71.99
Vote 8 - Corporate services	4 635 211	527 888	5 163 099	5 163 099	4 502 955	-	(660 144)	87.21	97.15
Total Expenditure by Vote	33 243 230	3 385 178	36 628 408	36 628 408	42 154 846	10 069 780	5 526 438	115.09	126.81
Surplus/(Deficit) for the year	1 840 650	4 470 884	6 311 534	6 311 534	18 893 699	(10 069 780)	12 582 165	299.35	1 026.47

APPENDIX E (3)
MIER LOCAL MUNICIPALITY

RECONCILIATION OF BUDGETED FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2016

Description	2015/16							
	Original Total Budget	Budget Adjustments	Final Adjustments Budget	Final Budget	Actual Outcome	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
	R	R	R	R	R	R	R	R
Revenue by Source								
Property Rates	1 397 272	-	1 397 272	1 397 272	1 390 161	(7 111)	99.49	99.49
Service Charges - Water	2 031 584	(15 941)	2 015 643	3 484 658	912 962	(2 571 695)	26.20	44.94
Service Charges - Sanitation	817 664	209 806	1 027 470	1 061 487	839 893	(221 594)	79.12	102.72
Service Charges - Refuse	1 160 563	201 861	1 362 424	1 328 407	1 143 323	(185 084)	86.07	98.51
Rental of Facilities and Equipment	1 438 406	-	1 438 406	1 438 406	1 093 082	(345 324)	75.99	75.99
Interest Earned - External Investments	600 000	-	600 000	600 000	284 020	(315 980)	47.34	47.34
Transfers Recognised - Operational	19 068 000	752 613	19 820 613	19 820 613	19 989 556	168 943	100.85	104.83
Other Revenue	1 790 391	95 000	1 885 391	1 885 391	26 433 705	24 548 314	1 402.03	1 476.42
Gains on Disposal of PPE	-	-	-	-	-	-	0.00	0.00
Total Revenue (excluding Capital Transfers & Contrib	28 303 880	1 243 339	29 547 219	31 016 234	52 086 703	21 070 469	167.93	184.03
Expenditure								
Employee Related Costs	11 204 476	1 943 463	13 147 939	13 147 939	11 801 672	(1 346 267)	89.76	105.33
Remuneration of Councillors	2 219 949	415 097	2 635 046	2 635 046	2 148 316	(486 730)	81.53	96.77
Debt Impairment	2 385 898	-	2 385 898	2 385 898	5 218 241	2 832 343	218.71	218.71
Depreciation and Asset Impairment	7 823 757	-	7 823 757	7 823 757	5 945 899	(1 877 858)	76.00	76.00
Finance Charges	50 670	-	50 670	50 670	41 481	(9 189)	81.86	81.86
Other Materials	989 335	(151 742)	837 593	837 593	679 599	(157 994)	81.14	68.69
Contracted Services	253 000	(13 000)	240 000	240 000	-	(240 000)	0.00	0.00
Transfers and Grants	1 257 391	-	1 257 391	1 257 391	-	(1 257 391)	0.00	0.00
Other Expenditure	7 058 754	1 191 360	8 250 114	8 250 114	11 279 821	3 029 707	136.72	159.80
Loss on Disposal of PPE	-	-	-	-	5 039 819	5 039 819	0.00	0.00
Total Expenditure	33 243 230	3 385 177	36 628 407	36 628 407	42 154 847	5 526 439	115.09	126.81
Surplus/(Deficit)	(4 939 351)	(2 141 838)	(7 081 188)	(7 081 188)	9 931 856	15 544 030	0.00	0.00
Transfers Recognised - Capital	6 780 001	6 612 721	13 392 722	13 392 722	8 961 843	(4 430 879)	66.92	132.18
Surplus/(Deficit) after Capital Transfers and	1 840 650	4 470 883	6 311 534	6 311 534	18 893 700	11 113 151	299.35	1 026.47
Surplus/(Deficit) for the Year	1 840 650	4 470 883	6 311 534	6 311 534	18 893 700	11 113 151	299.35	1 026.47

APPENDIX E(4)
MIER LOCAL MUNICIPALITY
RECONCILIATION OF BUDGETED CAPITAL EXPENDITURE FOR THE YEAR ENDED 30 JUNE 2016

Description	2015/16								
	Original Total Budget	Budget Adjustments	Final Adjustments Budget	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
	R	R	R	R	R	R	R	R	R
CAPITAL EXPENDITURE - STANDARD									
Governance and Administration:									
Budget and Treasury Office	-	-	-	-	302 939	218 939	302 939	0.00	0.00
Community and Public Safety:									
Community and Social Services	-	-	-	-	1 304 835	1 304 835	1 304 835	0.00	0.00
Trading Services:									
Water	-	-	-	-	28 317	28 317	28 317	0.00	0.00
Waste Water Management	4 125 915	(3 226 915)	899 000	899 000	87 989	-	(811 011)		
Waste Management	2 654 085	9 839 637	12 493 723	12 493 723	8 699 357	-	(3 794 366)	69.63	327.77
Total Capital Expenditure - Standard	6 780 000	6 612 723	13 392 723	13 392 723	10 423 437	1 552 091	(2 969 286)	77.83	153.74
FUNDED BY:									
National Government	6 780 000	6 612 723	13 392 723	13 392 723	10 008 181	-	(2 969 286)	74.73	147.61
Transfers Recognised - Capital	6 780 000	6 612 723	13 392 723	13 392 723	10 008 181	-	(2 969 286)	74.73	147.61
Public Contributions & Donations	-	-	-	-	84 000	-	84 000	0.00	0.00
Internally Generated Funds	-	-	-	-	331 256	-	331 256	0.00	0.00
Total Capital Funding	6 780 000	6 612 723	13 392 723	13 392 723	10 423 437	-	(2 554 030)	77.83	153.74

APPENDIX E(5)
MIER LOCAL MUNICIPALITY
RECONCILIATION OF BUDGETED CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2016

Description	2015/16							
	Original Total Budget	Budget Adjustments	Final Adjustments Budget	Final Budget	Actual Outcome	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
	R	R	R	R	R	R	R	R
CASH FLOW FROM OPERATING ACTIVITIES								
Receipts								
Ratepayers and Other	602 789	-	602 789	602 789	104 967	(497 822)	17.41	17.41
Services Charges	889 974	-	889 974	889 974	(550 895)	(1 440 869)	0.00	0.00
Government - Operating	19 068 000	752 613	19 820 613	19 820 613	25 043 518	5 222 905	126.35	131.34
Government - Capital	6 780 000	6 612 722	13 392 722	13 392 722	8 961 843	(4 430 879)	66.92	132.18
Interest	600 000	-	600 000	600 000	284 020	(315 980)	47.34	47.34
Other revenue	3 228 797	95 006	3 323 803	3 323 803	3 248 454	(75 349)	97.73	100.61
Payments								
Suppliers and Employees	(21 174 566)	(3 054 854)	(24 229 420)	(24 229 420)	(24 978 423)	(749 003)	0.00	0.00
Finance Charges	(50 670)	-	(50 670)	(50 670)	(41 481)	9 189	0.00	0.00
Transfers and Grants	(1 257 391)	1 257 391	-	-	-	-	0.00	0.00
Other payments	-	-	-	-	708 883	708 883	0.00	0.00
NET CASH FROM / (USED) OPERATING ACTIVITIES	8 686 933	5 662 877	14 349 810	14 349 810	12 780 886	(1 568 924)	89.07	147.13
CASH FLOWS FROM INVESTING ACTIVITIES								
Receipts								
Proceeds on Disposal of PPE	-	-	-	-	93 434	93 434	0.00	0.00
Payments								
Capital Assets	(6 780 000)	(6 612 722)	(13 392 722)	(13 392 722)	(10 339 731)	3 052 991	0.00	0.00
NET CASH FROM / (USED) INVESTING ACTIVITIES	(6 780 000)	(6 612 722)	(13 392 722)	(13 392 722)	(10 246 297)	3 146 425	0.00	0.00
CASH FLOWS FROM FINANCING ACTIVITIES								
Payments								
Loans repaid	(275 474)	-	(275 474)	(275 474)	(193 319)	82 155	0.00	0.00
NET CASH FROM / (USED) FINANCING ACTIVITIES	(275 474)	-	(275 474)	(275 474)	(193 319)	82 155	0.00	0.00
NET INCREASE / (DECREASE) IN CASH HELD	(1 631 459)	949 845	(681 614)	(681 614)	(2 341 271)	(1 659 656)	0.00	0.00
Cash / Cash Equivalents at the Year begin:	2 213 920	-	2 213 920	2 213 920	1 020 176	(1 193 744)	46.08	46.08
Cash / Cash Equivalents at the Year end:	3 845 379	(949 845)	2 895 534	2 895 534	3 361 446	465 912	116.09	87.42

APPENDIX F
MIER LOCAL MUNICIPALITY
DISCLOSURE OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003

Grants and Subsidies Received

Name of Grant	Name of Organ of State or Municipal Entity	Quarterly Receipts				Quarterly Expenditure				Reason for Delay / Withholding of Funds	Compliance to Revenue Act (*) See below	Reason for Non-compliance
		Sept	Dec	March	June	Sept	Dec	March	June			
Library Development Grant	Department of Arts and Culture	686 000				127 322	102 665	105 708	244 304	N/A	Yes	N/A
Conditional Grant - MIG	COGHSTA - National	2 000 000	2 390 000		8 518 000	552 058	4 218 539	1 517 814	3 928 091	N/A	Yes	N/A
Municipal Systems Improvement Grant	COGHSTA - National	930 000				85 272	214 077	237 787	392 865	N/A	Yes	N/A
Financial Management Grant	National Treasury	1 875 000				632 055	520 986	230 091	491 868	N/A	Yes	N/A
Housing Grant	COGHSTA					162 611				N/A	Yes	N/A
13 Houses	COGHSTA									N/A	Yes	N/A
EPWP	COGHSTA	400 000	300 000	300 000		36 413	476 506	597 306	253 494	N/A	Yes	N/A
Nala	COGHSTA	617 274				-	-553 500	160 872	1 009 903	N/A	Yes	N/A
DOT - Hakskeenpan projek	Department of Transport					48 434				N/A	Yes	N/A
Department water affairs	DWA					4 344				N/A	Yes	N/A
Homestays & !Xuas Lodge	Department of Tourism									N/A	Yes	N/A
Total Grants and Subsidies Received		6 508 274	2 690 000	300 000	8 518 000	1 648 508	4 979 273	2 849 577	6 320 525			
(*) Did your municipality comply with the grant conditions in terms of "Grant Framework" in the latest Division of Revenue Act?												

APPENDIX G

MIER LOCAL MUNICIPALITY

STATEMENT OF REMUNERATION OF MANAGEMENT

30 June 2016

Incumbent	Basic	Bonuses	Allowances	Total
	R	R	R	R
Mayor				
Eieman M	487 435	-	166 583	654 018
Other Councillors				
Joseph N	146 604	-	56 357	202 961
Dodds KW	146 604	-	56 357	202 961
Smith PJJ	-	-	-	-
Farao PP	177 013	-	56 357	233 370
Titus AM	177 013	-	56 357	233 370
Masikani S	177 013	-	56 357	233 370
JJ Smith	131 881		56 357	188 238
				-
Total for Councillors	1 443 563	-	504 725	1 948 288
Manager: Municipal Manager				
Willemse J	480 000	-	-	480 000
Manager: Chief Financial Officer				
Mouton EN	203 465	16 955	135 529	355 949
Manager: Strategic Manager				
I van Wyk	169 554	16 955	112 941	299 449
Manager: Community Services				
SK Coetzee	203 465	16 955	82 729	303 149
Manager: Corporate Services				
CA Mouton	203 465	16 955	135 529	355 949
Manager: Technical Services				
J Mienies	203 465	16 955	135 529	355 949
Total for Senior Managers	779 948	67 820	466 726	1 314 495
Total for Management	2 223 511	67 820	971 451	3 262 783

30 June 2015

Mayor				
Eieman M	487 435	-	166 583	654 018
Other Councillors				
Joseph N	146 604	-	56 357	202 961
Dodds KW	146 604	-	56 357	202 961
Smith PJJ	-	-	-	-
Farao PP	177 013	-	56 357	233 370
Titus AM	177 013	-	56 357	233 370
Masikani S	177 013	-	56 357	233 370
JJ Smith	131 881		56 357	188 238
				-
Total for Councillors	1 443 563	-	504 725	1 948 288
Manager: Municipal Manager				
Willemse J	480 000	-	-	480 000
Chief Financial Officer				
Mouton EN	203 465	16 955	135 529	355 949
Manager: Strategic Manager				
I van Wyk	169 554	16 955	112 941	299 449
Manager: Community Services				
SK Coetzee	203 465	16 955	82 729	303 149
Manager: Corporate Services				
CA Mouton	203 465	16 955	135 529	355 949
Manager: Technical Services				
J Mienies	203 465	16 955	135 529	355 949
Total for Senior Managers	1 463 413	84 776	602 255	2 150 444
Total for Management	2 906 976	84 776	1 106 980	4 098 732

APPENDIX H
MIER LOCAL MUNICIPALITY
RATIO ANALYSIS SCHEDULE FOR THE YEAR ENDED 30 JUNE 2016

Ratio	Formula	Data Source	Norm / Range	Input Description	Data Inputs and Results		Interpretation	Management Comments (#)
					2016	2015		
1. FINANCIAL POSITION								
A. Asset Management / Utilisation								
1. Capital Expenditure to Total Expenditure	Total Capital Expenditure / Total Expenditure (Total Operating Expenditure + Capital Expenditure) x 100	Statement of Financial Position, Statement of Financial Performance, Notes to the AFS, Budget, In-year Reports, IDP and AR	10% - 20%	Total Operating Expenditure Total Capital Expenditure	19.82% 42 154 847 10 423 437	0.00% 33 392 030 -	Refer to Page 2 of MFMA Circular No 71	
2. Impairment of Property, Plant and Equipment, Investment Property and Intangible assets (Carrying Value)	Property, Plant and Equipment + Investment Property + Intangible Assets Impairment / (Total Property, Plant and Equipment + Investment Property + Intangible Assets) x 100	Statement of Financial Position, Notes to the AFS and AR	0%	PPE, Investment Property & Intangible Impairment PPE at Carrying Value IP at Carrying Value Intangible Assets at Carrying Value	0.00% - 147 329 870 371 696 634 1 932 670	0.01% 74 138 143 566 694 351 994 998 1 987 957	Refer to Page 3 of MFMA Circular No 71	
3. Repairs and Maintenance as a % of Property, Plant and Equipment and Investment Property (Carrying Value)	Total Repairs and Maintenance Expenditure / Property, Plant and Equipment and Investment Property (Carrying value) x 100	Statement of Financial Position, Statement of Financial Performance, IDP, Budgets and In-year Reports	8%	Total Repairs and Maintenance Expenditure PPE at Carrying Value Investment Property at Carrying Value	0.13% 679 599 147 329 870 371 696 634	0.39% 1 936 691 143 566 694 351 994 998	Refer to Page 4 of MFMA Circular No 71	
B. Debtors Management								
1. Collection Rate	(Gross Debtors Closing Balance + Billed Revenue - Gross Debtors Opening Balance - Bad Debts Written-off) / Billed Revenue x 100	Statement of Financial Position, Statement of Financial Performance, Notes to the AFS, Budget, In-year Reports, IDP and AR	95%	Gross Debtors Closing Balance Gross Debtors Opening Balance Billed Revenue	37.05% 7 827 788 24 336 609 4 286 339	31.72% 24 336 609 21 489 012 4 170 310	Refer to Page 5 of MFMA Circular No 71	
2. Bad Debts Written-off as % of Provision for Bad Debt	Bad Debts Written-off / Provision for Bad Debts x 100	Statement of Financial Position, Statement of Financial Performance, Notes to the AFS, Budget and AR	100%	Consumer Debtors Current Bad Debt Provision	367.16% 5 231 354	0.00% 708 065	Refer to Page 5 of MFMA Circular No 71	
3. Net Debtors Days	((Gross Debtors - Bad Debt Provision) / Actual Billed Revenue) x 365	Statement of Financial Position, Statement of Financial Performance, Notes to the AFS, Budget and AR	30 Days	Gross Debtors Bad Debts Provision Billed Revenue	385 Days 7 827 788 3 309 833 4 286 339	449 Days 24 336 609 19 209 179 4 170 310	Refer to Page 6 of MFMA Circular No 71	
C. Liquidity Management								
1. Cash / Cost Coverage Ratio (Excluding Unspent Conditional Grants)	((Cash and Cash Equivalents - Unspent Conditional Grants - Overdraft) + Short-term Investment) / Monthly Fixed Operational Expenditure excluding (Depreciation, Amortisation, Provision for Bad Debts, Impairment and Loss on Disposal of Assets)	Statement of Financial Position, Statement of Financial Performance, Notes to the AFS, Budget, In-year Reports and AR	1 - 3 Months	Cash and Cash Equivalents Unspent Conditional Grants Total Annual Operational Expenditure	-1 Months 3 361 446 6 563 252 25 950 889	0 Months 1 020 176 1 404 290 25 641 681	Refer to Page 7 of MFMA Circular No 71	
2. Current Ratio	Current Assets / Current Liabilities	Statement of Financial Position, Budget, IDP and AR	1.5 - 2:1	Current Assets Current Liabilities	0.47 11 693 293 24 854 392	0.50 9 855 181 19 652 828	Refer to Page 7 of MFMA Circular No 71	
C. Liability Management								
1. Capital Cost (Interest Paid and Redemption) as a % of Total Operating Expenditure	Capital Cost (Interest Paid and Redemption) / Total Operating Expenditure x 100	Statement of Financial Position, Statement of Cash Flows, Statement of Financial Performance, Budget, IDP, In-year Reports and AR	6% - 8%	Interest Paid Redemption Total Operating Expenditure Taxation Expense	-0.36% 41 481 (193 319) 42 154 847 -	-0.10% 68 883 (101 243) 33 392 030 -	Refer to Page 8 of MFMA Circular No 71	
2. Debt (Total Borrowings) / Revenue	(Overdraft + Current Finance Lease Obligation + Non-current Finance Lease Obligation + Short-term Borrowings + Long-term Borrowings) / (Total Operating Revenue - Operational Conditional Grants) x 100	Statement of Financial Position, Statement of Financial Performance, Budget, IDP and AR	45%	Total Debt Total Operating Revenue Operational Conditional Grants	1.80% 741 200 61 048 546 19 884 556	0.00% - - 18 611 691	Refer to Page 9 of MFMA Circular No 71	

APPENDIX H
MIER LOCAL MUNICIPALITY
RATIO ANALYSIS SCHEDULE FOR THE YEAR ENDED 30 JUNE 2016

Ratio	Formula	Data Source	Norm / Range	Input Description	Data Inputs and Results		Interpretation	Management Comments (#)
					2016	2015		
C. Sustainability								
1. Level of Cash Backed Reserves (Net Assets - Accumulated Surplus)	(Cash and Cash Equivalents - Bank Overdraft + Short-term Investment + Long-term Investment - Unspent Grants) / (Net Assets - Accumulated Surplus - Non-controlling Interest Share Premium - Share Capital - Fair Value Adjustment - Revaluation Reserve) x 100	Statement Financial Position, Budget and AR	100%	<div> <div>Cash and Cash Equivalents</div> <div>Long Term Investment</div> <div>Unspent Grants</div> <div>Net Assets</div> <div>Accumulated Surplus</div> </div>	<div>100.00%</div> <div>3 361 446</div> <div>-</div> <div>6 563 252</div> <div>495 023 030</div> <div>495 023 030</div>	<div>100.00%</div> <div>1 020 176</div> <div>-</div> <div>1 404 290</div> <div>476 129 330</div> <div>476 129 330</div>	Refer to Page 9 of MFMA Circular No 71	
2. FINANCIAL PERFORMANCE								
A. Efficiency								
1. Net Operating Surplus Margin	(Total Operating Revenue - Total Operating Expenditure) / Total Operating Revenue	Statement of Financial Performance, Budget, In-year Reports, AR, Statement of Comparison of Budget and Actual Amounts and Statement of Changes in Net Assets	= or > 0%	<div>Total Operating Revenue</div> <div>Total Operating Expenditure</div>	<div>-1.94%</div> <div>36 407 056</div> <div>37 115 028</div>	<div>19.27%</div> <div>41 247 176</div> <div>33 300 136</div>	Refer to Page 10 of MFMA Circular No 71	
3. Net Surplus / Deficit Water	Total Water Revenue less Total Water Expenditure/Total Water Revenue x 100	Statement of Financial Performance, Notes to AFS, Budget, IDP, In-year Reports and AR	= or > 0%	<div>Total Water Revenue</div> <div>Total Water Expenditure</div>	<div>-454.38%</div> <div>912 962</div> <div>5 061 270</div>	<div>-671.80%</div> <div>900 853</div> <div>6 952 741</div>	Refer to Page 11 of MFMA Circular No 71	
4. Net Surplus / Deficit Refuse	Total Refuse Revenue less Total Refuse Expenditure/Total Refuse Revenue x 100	Statement of Financial Performance, Notes to AFS, Budget, IDP, In-year Reports and AR	= or > 0%	<div>Total Refuse Revenue</div> <div>Total Refuse Expenditure</div>	<div>5.48%</div> <div>3 092 961</div> <div>2 923 519</div>	<div>17.62%</div> <div>4 984 213</div> <div>4 106 122</div>	Refer to Page 12 of MFMA Circular No 71	
5. Net Surplus / Deficit Sanitation and Waste Water	Total Sanitation and Waste Water Revenue less Total Sanitation and Waste Water Expenditure/Total Sanitation and Waste Water Revenue x 100	Statement of Financial Performance, Notes to AFS, Budget, IDP, In-year Reports and AR	= or > 0%	<div>Total Sanitation and Waste Water Revenue</div> <div>Total Sanitation and Waste Water Expenditure</div>	<div>-865.99%</div> <div>810 622</div> <div>7 830 552</div>	<div>-195.81%</div> <div>724 874</div> <div>2 144 224</div>	Refer to Page 12 of MFMA Circular No 71	
B. Revenue Management								
2. Revenue Growth (%)	((Period under Review's Total Revenue - Previous Period's Total Revenue) / Previous Period's Total Revenue) x 100	Statement of Financial Performance, Budget, IDP, In-year Reports and AR	= CPI	<div>CPI</div> <div>Total Revenue (Previous)</div> <div>Total Revenue (Current)</div>	<div>6.87%</div> <div>7.00%</div> <div>57 121 700</div>	<div>62.33%</div> <div>7.00%</div> <div>35 187 555</div>	Refer to Page 15 of MFMA Circular No 71	
3. Revenue Growth (%) - Excluding Capital Grants	((Period under Review's Total Revenue, excluding Capital Grants - Previous Period's Total Revenue, excluding Capital Grants) / Previous Period's Total Revenue, excluding Capital Grants) x 100	Statement of Financial Performance, Notes to AFS, Budget, IDP, In-year Reports and AR	= CPI	<div>CPI</div> <div>Total Revenue, excluding Capital Grants (Previous)</div> <div>Total Revenue, excluding Capital Grants (Current)</div>	<div>19.27%</div> <div>7.00%</div> <div>43 672 417</div>	<div>57.47%</div> <div>7.00%</div> <div>27 733 549</div>	Refer to Page 15 of MFMA Circular No 71	
C. Expenditure Management								
1. Creditors Payment Period (Trade Creditors)	(Trade Creditors Outstanding / Credit Purchases (Operating and Capital)) x 365	Statement of Financial Performance, Notes to AFS, Budget, In-year Reports and AR	30 Days	<div>Trade Creditors</div> <div>Repairs and Maintenance</div> <div>General Expenses</div> <div>Capital Credit Purchases</div>	<div>159 Days</div> <div>9 715 497</div> <div>679 599</div> <div>11 279 821</div>	<div>117 Days</div> <div>9 137 010</div> <div>1 936 691</div> <div>12 124 406</div>	Refer to Page 16 of MFMA Circular No 71	
2. Irregular, Fruitless & Wasteful and Unauthorised Expenditure / Total Operating Expenditure	((Irregular, Fruitless & Wasteful and Unauthorised Expenditure) / Total Operating Expenditure) x100	Statement Financial Performance, Notes to Annual Financial Statements and AR	0%	<div>Irregular, Fruitless & Wasteful and Unauthorised Expenditure</div> <div>Total Operating Expenditure</div>	<div>40.57%</div> <div>17 102 671</div> <div>42 154 847</div>	<div>96.46%</div> <div>32 208 675</div> <div>33 392 030</div>	Refer to Page 16 of MFMA Circular No 71	
3. Remuneration as % of Total Operating Expenditure	(Remuneration (Employee Related Costs and Councillors' Remuneration) / Total Operating Expenditure) x 100	Statement of Financial Performance, Budget, IDP, In-year Reports and AR	25% - 40%	<div>Employee / Personnel Related Cost</div> <div>Councillors Remuneration</div> <div>Total Operating Expenditure</div>	<div>33.09%</div> <div>11 801 672</div> <div>2 148 316</div> <div>42 154 847</div>	<div>34.47%</div> <div>9 364 601</div> <div>2 147 099</div> <div>33 392 030</div>	Refer to Page 17 of MFMA Circular No 71	
4. Contracted Services % of Total Operating Expenditure	(Contracted Services / Total Operating Expenditure) x 100	Statement of Financial Performance, Budget, IDP, In-year Reports and AR	2% - 5%	<div>Total Operating Expenditure</div>	<div>0.00%</div> <div>42 154 847</div>	<div>0.00%</div> <div>33 392 030</div>	Refer to Page 17 of MFMA Circular No 71	

APPENDIX H
MIER LOCAL MUNICIPALITY
RATIO ANALYSIS SCHEDULE FOR THE YEAR ENDED 30 JUNE 2016

Ratio	Formula	Data Source	Norm / Range	Input Description	Data Inputs and Results		Interpretation	Management Comments (#)
					2016	2015		
D. Grant Dependency								
1. (Own funded Capital Expenditure (Internally Generated Funds) + Borrowings) to Total Capital Expenditure	(Own funded Capital Expenditure (Internally Generated Funds) + Borrowings / Total Capital Expenditure) x 100	Statement of Financial Position, Budget, AFS Appendices, Notes to the Annual Financial Statements (Statement of Comparative and Actual Information), Budget, IDP, In-year Reports and AR	None	Internally Generated Funds Total Capital Expenditure	3.18% 331 256 10 423 437	0.00% - 5 004 093	Refer to Page 18 of MFMA Circular No 71	
2. Own funded Capital Expenditure (Internally Generated Funds) to Total Capital Expenditure	(Own funded Capital Expenditure (Internally Generated Funds) / Total Capital Expenditure) x 100	Statement of Financial Position, Budget, AFS Appendices, Notes to the Annual Financial Statements (Statement of Comparative and Actual Information), Budget, IDP, In-year Reports and AR	None	Internally Generated Funds Total Capital Expenditure	3.18% 331 256 10 423 437	0.00% - 5 004 093	Refer to Page 18 of MFMA Circular No 71	
3. Own Source Revenue to Total Operating Revenue (Including Agency Revenue)	(Own Source Revenue (Total Revenue - Government Grants and Subsidies - Public Contributions and Donations) / Total Operating Revenue (including Agency Services)) x 100	Statement Financial Performance, Budget, IDP, In-year Reports and AR	None	Total Revenue Government Grant and Subsidies Public Contributions and Donations Capital Grants	61.62% 61 048 546 28 846 399 105 000 8 961 843	55.04% 57 121 700 32 060 974 1 023 376 13 449 283	Refer to Page 18 of MFMA Circular No 71	
3. BUDGET IMPLEMENTATION								
A. Efficiency								
1. Capital Expenditure Budget Implementation Indicator	(Actual Capital Expenditure / Budgeted Capital Expenditure) x 100	Statement of Financial Position, Budget, AFS Appendices, In-year Reports and AR	95% - 100%	Actual Capital Expenditure Budgeted Capital Expenditure	77.83% 10 423 437 13 392 723	0.00% - 31 231 182	Refer to Page 19 of MFMA Circular No 71	
2. Operating Expenditure Budget Implementation Indicator	(Actual Operating Expenditure / Budgeted Operating Expenditure) x 100	Statement of Financial Position, Budget, AFS Appendices, IDP, In-year Reports and AR	95% - 100%	Actual Operating Expenditure Budgeted Operating Expenditure	115.09% 42 154 847 36 628 407	111.75% 33 392 030 29 880 490	Refer to Page 20 of MFMA Circular No 71	
3. Operating Revenue Budget Implementation Indicator	(Actual Operating Revenue / Budgeted Operating Revenue) x 100	Statement of Financial Position, Budget, AFS Appendices, IDP, In-year Reports and AR	95% - 100%	Actual Operating Revenue Budgeted Operating Revenue	142.17% 61 048 546 42 939 941	120.16% 57 121 700 47 539 653	Refer to Page 20 of MFMA Circular No 71	
4. Service Charges and Property Rates Revenue Budget Implementation Indicator	(Actual Service Charges and Property Rates Revenue / Budgeted Service Charges and Property Rates Revenue) x 100	Statement of Financial Position, Budget, AFS Appendices, IDP, In-year Reports and AR	95% - 100%	Actual Service Charges and Property Rates Revenue Budgeted Service Charges and Property Rates Revenue	73.87% 4 286 339 5 802 809	53.42% 4 170 310 7 806 495	Refer to Page 21 of MFMA Circular No 71	
Interpretation of Results: <div> <div></div> The green colour indicates that the result is within the norm and is acceptable. <div></div> The red colour indicates that the result is not acceptable and corrective actions/plans should be put in place to improve the results. <div></div> Data should be captured in the blue coloured cell to calculate a ratio. <div>#</div> In situations where the results are not within the acceptable norm, corrective actions/plans should be taken and referenced. </div>								